the Freeman

Ideas on Liberty

FEBRUARY 1977

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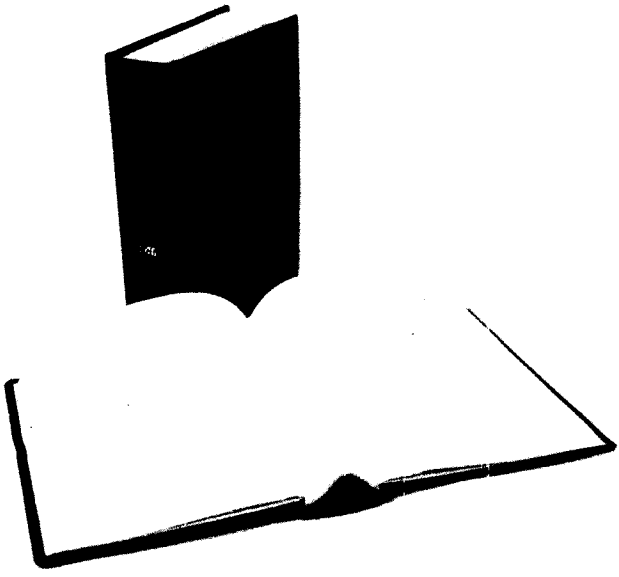

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A MONTHLY JOURNAL OF IDEAS ON LIBERTY

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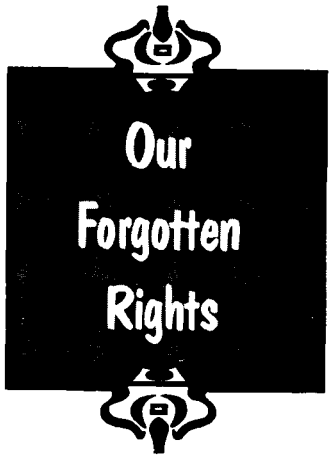
Davis E. Keeler



AMERICAN LAW is drifting in a new and disturbing direction. With only minor exceptions, its course is hostile to individual freedom. The domain of free choice is constantly whittled away by the law-making and rule-making functions of government at all levels. In case after case, the private concerns of the citizen are being made the public concerns of the government.

Even laws which supposedly benefit particular classes seem invariably to proceed by abrogating the freedom of their purported beneficiaries. The borrower is protected by denying him credit, the consumer by restricting his choices of consumption.

New rights are being created, but they are rights of a curious sort. They are such rights as a "right to a job," a "right to decent housing," a "right to welfare." Yet a right to a job must mean that someone is compelled to hire you. A right to decent housing (or any housing, for that matter) must mean that someone is compelled to save, invest, and build such housing. A right to welfare must mean that someone is compelled to work to create the wealth from which that welfare is to be paid.

The law is ceasing to serve as a means for protecting the rights of individuals and turning more and more to serve as a vehicle by which the politically stronger live off the politically weaker. The use of government taxing power to redistribute wealth is now an explicitly avowed program of political can-

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didates. Politically favored groups now enjoy quotas of public and private jobs. The power of the government, particularly as it affects property rights, appears limited only by the imagination.

The law has not always been this way. In 1795, Justice Patterson of the U.S. Supreme Court had this to say about laws and rights:

> . . . it is evident that the right of acquiring and possessing property and having it protected, is one of the natural, inherent, and inalienable rights of man. The legislature therefore had no authority to make an act divesting one citizen of his freehold, and vesting it in another, without just compensation. It is inconsistent with the principles of reason, justice, and moral rectitude.

Similarly, in 1798, Justice Chase of that court had this to say of the proper function of the law:

> I cannot subscribe to the omnipotence of a state legislature or that it is absolute and without control; . . . the legislators may enjoin, permit, prohibit, and punish; they may declare new crimes; and establish rules of conduct for all its citizens in future cases; they may command what is right and prohibit what is wrong; but they cannot change innocence into guilt.

Thomas Jefferson had this to say of the laws and law-making function:

> Our legislators are not sufficiently appraised of the rightful limits of their power, that their true office is to declare and enforce only our natural rights and duties and take none of them from us.

Or again, in his first inaugural address:

> Still one more thing, fellow citizens, a wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement and shall not take from the mouth of labour the bread it has earned.

Natural Rights

These men, in common with most others of their day, held the belief that human rights were a fact of nature, prior to and independent of any man-made laws or constitutions. The legislative function, as these men saw it, was not to *create* laws or rights of their own designing, but merely to "declare and enforce only our natural rights and duties and take none of them from us." The government they created was intended to protect these rights of the individual, not destroy them. They had not fought a long war just to replace a distant tyrant with a nearer one.

Their view of government, the government they envisioned in their Constitution, was one along the lines described by Locke and others. Under this view, governments were created for the convenience of free men to articulate their natural rights, to provide disinter-

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ested judges, and to provide the power to enforce decisions thus given.

Under this view there was no need to set out in a constitution (which was merely a description of how the government was supposed to work) a list of the rights of the people, for these rights were dictated by man's nature. Such a list would serve no purpose, since human rights could be neither enacted nor repealed. Furthermore, it was feared by some that, as no list of rights could be complete, the listing of some would be taken as the denial of others. This was the position of Alexander Hamilton and others who opposed the Bill of Rights.

In recognition of this problem, the Ninth Amendment provides:

> The enumeration in the Constitution of certain rights, shall not be construed to deny or disparage others retained by the people.

As Lysander Spooner, a Nineteenth Century legal scholar, commented:

> What then were these "other rights," that had not been "enumerated"; but which were nevertheless "retained by the people"?
>
> Plainly these are men's natural rights; for these are the only "rights" that "the people" ever had, or consequently, that they could "retain."
>
> And, as no attempt is made to enumerate *all* these other rights . . . and as no exceptions are made of any of them, the necessary, the legal, the inevitable inference is that they were *all* retained, and that Congress should have no power to violate any of them.

The Changing View

Time passed and ideas changed. The Constitution proved a workable and admirable device, and was rightly venerated by the people. But new notions of politics and sovereignty became popular and people came to regard the Constitution and Bill of Rights as the *source* of those rights, rather than merely as a statement of pre-existing human rights. Once that change was made, the rights of man ceased to be something beyond the reach of governments and became, instead, a matter for lawyers haggling over the meanings of words in a changing language. Freed from the implicit restraints of natural rights, the explicit governmental powers to tax, to regulate commerce, and to wage war became a *carte blanche* for increasingly powerful and arbitrary government.

While the fundamental, natural rights explicitly retained by the Ninth Amendment have been largely ignored, they have not been completely forgotten. There is a slow and fitful reawakening of interest in the Ninth Amendment and the concept it speaks for. In one of its rare modern invocations, Justice Gold-

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berg had this to say in the 1965 case of *Griswold vs. Connecticut*:

> Rather as the Ninth Amendment expressly recognizes, there are fundamental personal rights, such as this one [marital privacy], which are protected from abridgement by the government though not specifically mentioned in the Constitution.

Without a concept of human rights prior to, and independent of, any government or constitution, there is no way to prevent the law from becoming a tool for the oppression of the weaker by the stronger. Democracy does not change this fact, it merely redistributes the power to oppress. Unless you accept this principle you must accept a view of law—and of human rights—which validates the genocide of the Nazis and the depredations of every modern tyranny which blesses its outrages under the cloak of law.

The concept of human rights superior to the will of any government is neither new nor unique. It is an idea almost as old as western philosophy and was the common intellectual heritage of the founders of this country. For various reasons, this concept has been in eclipse for many years, a victim of newer concepts of "justice" and "social good." Its antithesis—the belief that rights flow from the government—has been in the ascendency and brought with it suffering, genocide, breakdown of civil order, wars, and oppressions on an appalling scale.

The American constitutional form of government was designed as a vehicle for the protection of our fundamental, natural rights. Despite the generations of sophistry and misinterpretation, it is still there, Ninth Amendment intact. Aided by the natural rights interpretation, it can be restored as a viable and humane structure of free and just government.

IDEAS ON LIBERTY

The Threat of Paternalism

THE GREATEST THREAT to the future of our nation—to our freedom—is not foreign military aggression or internal communistic subversion but the growing dependence of the people on a paternalistic government. A nation is no stronger than its people and the best measure of their strength is how they accept responsibility. There will never be a great society unless the materialism of the welfare state is replaced by individual initiative and responsibility.

CHARLES B. SHUMAN

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Whatever Happened

.....to Self-Government?

Joan Marie Leonard

THE PREVAILING VIEW seems to be that everything in life must be perfect with everyone perfectly employed, perfectly healthy, perfectly happy, perfectly prosperous, perfectly carefree—free from the necessity of planning, providing or thinking. And only the imperfection of government officials keeps the world from being perfect for us. Shades of Mother Goose!

The search for the perfect purveyors of prosperity and political purity would seem to be elusive. Not so. Many are they who loudly proclaim their willingness and ability to perform these mighty deeds. But meeting the demands of perfection can be as difficult as spinning thread into gold or feeling the bulge of a pea under a pile of mattresses.

Miss Leonard is a free-lance writer.

When a mistake is made, it has to be denied. Perfect politicians don't make mistakes. The use of common language could lose an election. Repeating an unsavory joke can cost your job. Mispronouncing the name of an ethnic group is politically fatal. Referring to billions of dollars in aid and equipment to Israel as "a burden" is an "ethnic slur" that brings demands for the dismissal of the offender. Religious beliefs are only safe if not too divergent from the majority's orthodoxy. No views, in fact, should be unlike anyone else's. Politicians must like Swedish meatballs as well as pizza. Yankee pot roast gets hardly any votes at all. A slight stammer or small bead of perspiration while speaking is highly suspect and sends polls plummeting. A facial twitch causes jubilation in the camp of the oppos-

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ing perfectionist. And, of course, politicians must never trip on a stair or slip on wet pavement as the rest of us do. And a slip of the tongue? It can bring down the whole fragile structure of perfectionist government.

Those in political office are expected to be all-wise, all-good, all-graceful, all-truthful—all-everything but human.

A candidate is not allowed to be offensive, but of course, everyone is offensive to some in some ways. How could it be otherwise? So, after an exercise in dramatics and subterfuge, we end up with those who aren't caught offending the common denominator in society. And since press and publicists control notoriety, it is they who wield extensive control over political offices by deciding who they will blow the whistle on. This power is handed to them by our demands for perfection.

We have unreal expectations of politicians because we have unreal ideas of government, and matching these unreal expectations are the unreal amounts of dollars and energy we expend in trying to achieve them.

Campaign Expenditures

Presidential candidates of 1976 spent almost $44 million in tax money in addition to all the dollars and man-hours in contributions.

"Those in political office are expected to be all-wise, all-good, all-graceful, all-truthful—all-everything but human."

The cost of travel and security alone could run many companies for a year. All this, even though today's communications have the candidates and their views before the whole nation daily on the news and on television.

When you add and multiply political costs by all candidates running in all national, state, city and county offices in primaries and then general elections every one, two and four years, the costs mushroom to astronomical proportions.

Consider the time and space, printing and production, travel and lodging, protection and precautions, words and thoughts, machines and skills all devoted just to political campaigns and related activities.

Consider the amount of time, space and energy that goes into condemning suspected incidents of political bribery. Then consider the fact that the vast bulk of all political expenditures is used for bribery! It is used to obtain favored positions and financial benefits for unions, selected farmers, privileged industries, special professional

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groups, racial interests and the like. Politics has succeeded economics as the means for deciding who gets what, how and how much. We are in the ridiculous position of condemning political bribery at the same time we condone and perpetuate it as our very system of government.

We are supposed to worry when a politician golfs with some businessmen or spends a weekend with nonpolitical friends. But we accept it as natural and normal when he appears before a farm, labor or businessmen's group and brazenly propounds the favors he will grant them!

Victims of Bribery

A candidate speaks before a cattlemen's group and says he going to reduce import quotas to keep the price of beef up. There's the bribe. He then asks for their vote. There's the payoff. And consumers will pay high prices because competition is disallowed. There are the victims. It's all presented right before our eyes in the news with never a hint of crime or scandal about the whole performance, which is repeated again and again before every group the candidate speaks to.

We are told to worry about $200 in tax-paid salaries for the FBI men who helped hang up draperies in the home of the FBI chief, although it eliminated the need for tax-paid agents to check for any implanted devices. But we are expected to overlook all the tax-paid time spent to tack up wages for union members, making moguls out of union chiefs and raising costs throughout the market.

"Politics has succeeded economics as the means for deciding who gets what, how and how much."

Every wage law, import control, tariff and subsidy—every license granted—every control enacted outside of maintaining peace and order is an abuse of power through privilege. How do we condone favors at the same time we condemn them?

Someone might argue that favors to a particular company are more personal and privileged because the company is in competition with other companies in its industry, whereas favors to groups are industry-wide and therefore uniformly fair. It is somehow all right if consumers suffer uniformly. We hail equality even when it is equality of abuse.

But there is no fair way to be unfair or harmless way to be harmful. And there is no equality in circumstances.

Industries receiving favors are only segments of other industries. Price supports for cotton growers

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are naturally felt throughout many industries, affecting each differently in relation to its particular competition and the importance of cotton to its production.

An across-the-board wage raise for a labor group may be just a cost-raising waste and inconvenience to one company, but it can put another out of business. Where one laborer's employment is unaffected, another is left unemployed. Always, the effect is person by person, company by company—not "overall" or equal—and never ever fair.

Our whole political system has disintegrated into one of economic tampering through favors—a cheating *system*. The only way to remove the risk of government cheating is to remove the *possibility* for favors and stay within the Constitutional bounds of preserving peace.

Instead, we have devised a way to justify all this waste, cheating and inconsistency. We call it "democracy in action." It seems almost anything is acceptable as long as we can exercise our right to go to the polls.

We are continally urged, through the expenditure of more millions, to "Be sure to vote." Doesn't matter for whom or what. Just vote.

Voting is urged on us as an obligation, a privilege, an opportunity, a responsibility, a necessity for the survival of our system and as a way to be glad—as in "be glad you can vote, some people can't"—sort of like "eat your spinach, other people are starving."

"The only way to remove the risk of government cheating is to remove the possibility for favors and stay within the Constitutional bounds of preserving peace."

But voting has nothing to do with freedom. Clearly, in this country the vote is being used to destroy our freedoms, not to protect them—just as clearly as those seeking the vote are competing for political privileges for their groups and states, not freedom and opportunity for all.

In general terms, the frequency of elections is often offered as an indicator of freedom. Sometimes it's the percentage of the electorate voting. Sometimes it's the per cent of population eligible to vote. But if all the people old enough to walk were to vote in all elections and they were held every day, we wouldn't be any freer.

Welfare Is King

We've had eleven presidential elections since 1932, with both parties represented in power; but we still live under the same reign. Welfare is still king and the elaborateness of our elective pro-

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cess is only a trumpet—sounding excitement to approve the personality who wears the crown. We continue to fete more folderol, favoritism, waste, legalized stealth and impoverishment of the people than did the most abusive king who ever held a lavish court at the people's expense.

Still, politics is extolled. We are told *more* people should get *more* and *more* involved in it so it will work better. If this is so, we should all avoid drowning by jumping into a whirlpool.

"But," it is said, "this is how we govern ourselves. This is self-government."

This is nonsense.

Self-government is far more basic in nature and essential to freedom than mere participation in the electoral process.

It was established by our founders that we should govern ourselves, and the powers of government therefore should be limited to controlling only those who refused this opportunity to govern themselves—those who imposed on others through acts disruptive of the peaceful social order, such as stealth, fraud and assault.

Ours was not a struggle of English colonists against England's King George. It was the evolutionary imperative of the human race—a reaction against the proclivity throughout the ages of some to rule over others—a reaction against mankind's history of rule by favor and its counterpart, abuse. It doesn't matter if the powerful are chosen by birth, divine right, drawing straws or universal suffrage. It is the power that is abusive, no matter how it is attained.

"The voting booth is now a battleground to see which special interests will gain the most."

Self-governing people were considered in need of protection *from* government's tendency to overextend itself into a system of favor/abuse and personal involvement.

Everyone was "involved" in government by virtue of being *self-governing*—responsible for his or her own acts. Voting wasn't participation in government so much as self-responsibility was.

No one was seeking to influence government, because government had no influence to peddle and was organized in ways to prohibit such influence from forming, if possible.

It is only as we have departed from freedom and self-government that voting has been so extolled, sought and demanded. The voting booth is now a battleground to see which special interests will gain the most. The vote is used to attain power and privilege, not deny it.

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The interests thus served are not in the public interest. They are in conflict with the general welfare.

Had we expanded on freedom instead of abandoning it, elections by now would be an incidental part of our lives. Our newspapers would be filled with new ideas, products, improvements, opportunities, discoveries and advances. Our lives would be filled with things happening instead of the political gamesmanship of things *not* happening under the weight of political maneuverings.

Our political issues would be concered only with improving our police and court systems. Crime would be minimal, partly because it would be handled efficiently, with government limited to keeping the peace and judged on that performance alone. But mostly because everything else would be so much more exciting and lucrative.

What greater impetus to crime could there be than an entire system of injustice—what greater deterrent than a just and productive system based on the absence of legalized stealth through political privilege.

Justice is the basis, motivation, method and reward of being self-governing. So it can never be perfect. Perfect justice is realistically recognized as beyond human capabilities to understand, much less codify and enforce. Recognition of this simple reality would spare us all the plans, platitudes and harmful interventions of the political perfectionists.

How far have we departed from self-government?

Children of the State

Consider the nature of one of our most widely discussed "domestic issues." By making abortion as well as education a matter of public policy, we accept the dictatorial notion that children are properly under the authority of the State.

Outside of dictatorships, which are always based on ideas of perfect government, infants and children don't have civil rights. They don't vote. They don't get sued. The police don't step in to stop their pillow fights. Allowances aren't legislated along with minimum wages. Children shouldn't be subject to governmental authority unless they commit an adult crime. They are subject to their own private governors, their parents, who assume responsibility for their actions, pay for their broken windows, and are a buffer between them and society until they fill adult roles of self-responsibility.

A home is a separate government, and no one should be forced into it—or forced to return if he leaves.

An independent, self-governing country depends on these little independent family governments. None are perfect and not all of them

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are good, but the alternatives are all so much worse and far-removed from this human condition, we have had countless reasons to be glad that children are entrusted to the providence of parents and not the government.

If we were self-governing, we would free ourselves of government intrusion into our children's lives through public education—not extend the abuse to further control of family life, personal responsibility and moral decision.

In addition to the personal nature of virtually all of our domestic policies from employment and market fixing, to education and health, food and housing and the rest, consider our foreign policy.

Are we really responsible for arranging affairs in Africa, Eastern Europe, the Middle East and throughout the world?

If we were a self-governing country, private citizens and companies would transact business in foreign countries, not politicians. And we would therefore be in no place where we have no business to be.

We wouldn't be worried about defense, wars or rumors of wars because there is no way to rule self-governing people. And, conversely, a people who are not individually responsible will be ruled to the extent they are not self-governing, whether they call their rulers Republicans, Democrats or Communists and no matter where or how their armies are deployed.

"... we have countless reasons to be glad that children are entrusted to the providence of parents and not the government."

The need for military defense only increases as we become less self-governing. Having missiles and armed forces spread around the world is only an indication of how far we have departed from self-government—weakened ourselves, increased our fears, squandered our resources, expanded our meddling and hastened our disintegration. The defeat occured when we abandoned self-government. Little remains but for someone to pick up the spoils *or* for us to turn again to the enlightenment of self-responsibility.

We started with the idea that each of us individually could manage his own affairs without interference. And this is what has become of it—the law projected into arranging everyone's affairs not only in America but all around the globe and political debates reduced to who will meddle more efficiently! If this is progress, then what the political power-seekers say is true —backward is forward, down is up, slavery is freedom and ruination is bliss.

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John C. Sparks

If Men Were Free to Try

PRIVATE ownership, private initiative, the hope of reward, and the expectation of achievement have always been primarily responsible for the advancement of mankind. Continued progress—be it spiritual, mental, or material—rests squarely upon a better understanding of the idea of individual freedom of choice and action, with personal responsibility for one's own decisions.

For the purpose of illustrating this idea, let us suppose you had lived in 1900 and somehow were confronted with the problem of seeking a solution to any *one* of the following problems:

1. To build and maintain roads adequate for use of conveyances, their operators, and passengers.
2. To increase the average span of life by 30 years.
3. To convey instantly the sound of a voice speaking at one place to any other point or any number of points around the world.
4. To convey instantly the visual replica of an action, such as a presidential inauguration, to men and women in their living rooms all over America.
5. To develop a medical preventive against death from pneumonia.
6. To transport physically a person from Los Angeles to New York in less than four hours.
7. To build a horseless carriage of the qualities and capabilities described in the latest advertising folder of any automobile manufacturer.

Without much doubt you would have selected the first problem as the one easiest of solution. In fact, the other problems would have seemed fantastic and quite likely would have been rejected as the figments of someone's wild imagination.

Now, let us see which of these problems has been solved to date. Has the easiest problem been solved? No. Have the seemingly fantastic problems been solved? Yes, and we hardly give them a second thought.

It seems time to consider again this message, first published in 1954.

Mr. Sparks, now Chairman of the Board of Trustees of The Foundation for Economic Education, is an executive of an Ohio manufacturing company.

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It is not accidental that solutions have been found wherever the atmosphere of freedom and private ownership has prevailed wherein men could try out their ideas and succeed or fail on their own worthiness. Nor is it accidental that the coercive force of government—when hooked up to a creative field such as transportation—has been slow, plodding, and unimaginative in maintaining and replacing its facilities.

Does it not seem odd that a privately-owned automobile company found it expedient to sponsor a national contest with tremendous prizes and to conduct its own search in order to correct the faults of the publicly-owned and inadequate highway system? The highway dilemma has become more and more acute until someone other than the public owner has sought an answer. If the points of ownership had been reversed in 1900—that is, motorcar development in the hands of the government, and highways left to private individuals—we would have likely participated in a contest sponsored by the privately-owned highway companies to suggest how to improve the government's horseless carriage so that it would keep pace with the fine and more-than-adequate highways.

How could roads be built and operated privately? I do not know. This is a subject to which none of us directs his creative attention. We never do think creatively on any activity pre-empted by government. It is not until an activity has been freed from monopoly that creative thought comes into play.

But go back to 1900. Could any of us then have told how to solve the six problems to which solutions have been found? Suppose, for instance, that someone could at that time have described the looks and performance of the latest model automobile. Could any of us have told him how to make it? No, no more than we can describe how privately to build and operate highways today.

What accounts, then, for the present automobile and other "fantastic" accomplishments? Government did not preempt these activities! Instead, these have been left to the area of free, uninhibited, creative thinking. Millions of man-hours of technically skilled, inventive thought have been at work. And the end is not yet. Nor will there be an end as long as the inhibitory influence of government is confined to its proper functions of protecting equally the life, liberty, and property of all citizens; as long as men are free to try their ideas in a competitive and voluntary market.

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In Search of Monetary Stability

Hans F. Sennholz

ECONOMIC LIFE is a process of perpetual change. Man continually chooses between alternatives, attaching ever-changing values to economic goods. Therefore, the exchange ratios of his goods are forever adjusting. Nothing is fixed and, therefore, nothing can be measured. The economist searching for stability and measurement is like the music lover who would like to measure his preference for Beethoven's "Eroica" over Verdi's "Aida."

Money is no yardstick of prices. It is subject to man's valuations and actions in the same way as are all other economic goods. Its subjective as well as objective exchange values continually fluctuate and in turn affect the exchange ratios of other goods at different times and to different extents. There is no true stability of money, whether is is fiat or commodity money. There is no fixed point or relationship in economic exchange.

And yet, despite this inherent *market place instability* of economic value and purchasing power, the precious metals have served man well throughout the

Dr. Sennholz heads the Department of Economics at Grove City College and is a noted writer and lecturer on monetary and economic affairs.

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ages. Because of their natural qualities and their relative scarcity, both gold and silver were dependable media of exchange. They were marketable goods that gradually gained universal acceptance and employment in exchanges. They even could be used to serve as tools of economic calculation inasmuch as their quantities changed very slowly over time. This kept changes in their purchasing power at rates that could be disregarded in business accounting and bookkeeping. In this sense we may speak of an *accounting stability* that permits acting man to compare the countless objects of his economic concern.

The Clamor for Stability

Throughout the long history of money a clamor for this stability always arose when governments engaged in coin debasements and paper money inflation. Certainly the Romans yearned for monetary stability when their emperors resorted to every conceivable device of monetary depreciation. Medieval man longed for stability when his prince clipped, reduced or debased the coins and defrauded him through such devices. And throughout the 17th and 18th centuries, the early Americans sought monetary stability when the colonial governments issued legal tender "bills of credit," regulated the exchange ratios between British and Spanish coins, and imposed wage and price controls. Americans were dreaming of monetary stability during the Revolution when the Continental Congress emitted vast quantities of "Continental Dollars" until they became utterly worthless.

Man's hope for this monetary stability is his quest for government to abstain from monetary depreciation. This is the only permissible meaning of our search for stability, which is as old as inflation itself. In our century, it again has gained in intensity and urgency as governments the world over are waging devastating wars and engaging in massive redistribution of economic income and wealth. The savings and investments of millions of people are at stake. In the United States alone, the volume of long-term loan capital is estimated at more than 3 trillion dollars. Obviously, such a magnitude of credit lends economic, social and political importance to the quest for monetary stability.

Our high rates of productivity, wages and standards of living are built on an effective capital market. In the U.S., some $40,000 have been invested per worker, which make him highly productive and yield wage rates that are the highest in the world. More than one-half of this capital investment comes from

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lenders, such as bond holders, banks, and other institutional investors. Obviously, their direct stake in this marvelous apparatus of production depends on the stability of their dollar claims. They comprise what is commonly called "the middle classes" who do not own the facilities of production. They do not directly own the stores and factories, farms and livestock, but merely provide the loan capital that helps to build and improve them.

The savers and investors are not alone in their great concern for monetary stability. Anyone whose income depends on his labor productivity must be vitally interested in the efficient functioning of the capital market that supplies him with tools and equipment. The economic well-being of every manual laborer directly depends on capital investments, as does that of office workers, business executives, physicians, dentists and teachers. In fact, everyone has a stake in monetary stability and economic productivity. Even government itself which likes to issue ever more money in order to facilitate deficit spending, depends on the purchasing power of money. After all, money is the only economic good at the disposal of government, permitting it to acquire other goods and services and redistribute real income and wealth. When money ceases to function as a medium of exchange, government ceases to function in any form.

Accounting Stability

The hope for monetary stability, as we define it, is man's quest for government to abstain from monetary depreciation. The only stable money, in the long run, is the money of the market; it is nonpolitical money. Real stability comes with the removal of government control over money.

Of course, one must recognize that the prospects for a dismantling of the monopolistic power which government now is wielding over money, or even for a total removal of government from the monetary scene, are rather slim. Public opinion, as of now, does not permit a reduction of government power. But it may change in the future as the government issues of fiat money continue to depreciate, breeding countless economic and social evils. Be that as it may, the monetary theorist is bound by neither public opinion nor the trend in policy. His thoughts and deliberations are free to seek truth and pursue his ideals, even the dismantling of government power over money.

To remove government from all monetary affairs is to deny all government prerogatives in monetary matters. Government

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must have no special rights and privileges in the market place for money. In particular, the following government powers to which our generation has grown accustomed must be rescinded:

1. *The legal tender laws* that dictate what legal money shall be. There is no need for government to specify the kinds of money in which contracts may be written, or for government in any way to limit the freedom of contract. Surely, no degree of convenience that may come from a single currency system can outweigh the dangers of a monopolistic system that permits government, through legal tender legislation, to force its depreciating money on its people. Legal tender is the very device that prevents an easy escape by inflation victims into other monies and permits inflation to rage on until it becomes a fatal social disorder. It permits the massive transfer of income and wealth from hapless creditors to puzzled debtors, generating vast amounts of inflation losses and gains. In fact, legal tender legislation establishes the monopoly par excellence that permits the money monopolist to reap incalculable gains through the gradual depreciation of his product.

2. *The central banking system* that subjects financial institutions to a central authority and redirects their resources toward fiscal uses and economic policies. The central bank is the monetary arm of government that facilitates the financing of budgetary deficits through monetary expansion. It serves as a crutch to commercial banks, which it enables to expand credit to the limit of their reserves. And when their reserves are exhausted it provides new excess reserves in ever larger quantities. In short, the central bank removes all checks on inflation and coordinates the inflation effort. It must be summarily abolished if the freedom of the money market is to be restored and monetary stability attained.

3. *The compulsory monopoly of the mint* that permits government to determine what coins shall be used in exchange. The rationale of the mint monopoly as given by governments throughout the ages is the convenience of a uniform coinage system. But no matter how popular this convenience may be, it affords government important sources of revenue: "seigniorage," which is the monopolistic charge for minting coins; and debasement, which secretly or openly dilutes or reduces the weight of the coin. As the mint monopoly was the first step toward government control over money, its removal is essential for the restoration of monetary freedom.

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Few economists, if any, are advocating a stabilization of money through such comprehensive reforms. In the ideological climate of today, any deliberation along such lines, while it may be sagacious economic theory, is out of step with political reality. Therefore, most economists limit their deliberations to the search for monetary stability as it existed a few decades ago. Their inquiries are encompassed by political or historical considerations and colored by the hope of being "practical" and "effective."

We need not here enter a discussion of who is more practical and effective: he who uncompromisingly seeks to draw his conclusions and reveals irrefutable truths, or he who permits his deliberations to be colored by that which is more popular. In fact, most economists seek to be realistic and, therefore, advocate a *limited reform* that would restore monetary stability of their national systems as they existed in the recent past. American economists who are hoping and working for such a stability would like to restore the quality and integrity of the U.S. dollar.

Balancing the U.S. Government Budget

To stabilize the U.S. dollar, i.e., to safeguard its present purchasing power, obviously requires the immediate cessation of the inflation process. The monetary authorities must cease and desist from expanding the quantity of money in any form. But before this expansion can be halted the federal government must learn to live within its means and abstain from making further demands on the central banking system.

To the federal government, inflation is a convenient device for raising revenue. It easily covers budget deficits which otherwise would deplete the loan market, raise interest rates and depress the economy. It turns deficit spending, which normally causes economic depressions, into spending sprees that generate the popular, and yet so pernicious, economic booms. Inflation boosts government revenue as it raises everyone's tax rates and thus absorbs an increasing share of individual income. It repudiates government debt as it reduces the purchasing power of all debt. In this respect it is a silent tax on all creditors and money holders. With a Federal debt of some $700 billion, an inflation rate of 10 percent reduces the value of the debt by $70 billion, which is taken from the owners of Treasury obligations and transferred to government as the debtor for more spending in the future.

In today's atmosphere of government welfare and economic redistribution, to balance the budget

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and thus refrain from its inflationary financing is no easy political task. An estimated 81.3 million Americans, or 38 per cent of the total population, are now enjoying redistribution dollars from government. (Retirement and Disability 28.6 million, survivor benefits 8.9 million, supplemental income 6.6 million, unemployment compensation 6.0 million, active military duty and dependents 3.5 million, civil servants and their dependents 27.7 million.) While the trend continues to favor ever more programs with more redistribution beneficiaries, it is difficult to envision a modification of the transfer process. And yet, the task is urgent; the great budgetary pressures exerted by the popular quest for economic transfer must be alleviated and the budget balanced. Without such a balance, the inflation will rage on.

"Rights" to Benefits

We cannot expect many beneficiaries readily to vote for a reduction, much less a removal of their benefits. Under the influence of the prevailing social and economic ideology they are convinced that they are morally entitled to their favors. They noisily oppose any modification affecting their innate "rights" to other people's income and wealth. In fact, their redistributive aspirations often induce their political representatives in Congress to authorize and appropriate even more money than the President is requesting. Such programs as social security, medicare, anti-poverty, housing, aid to education, environmental improvement, and pay increases for civil servants are so popular that few politicians dare oppose them.

And yet, the situation is not hopeless as long as only 38 per cent of the population are transfer beneficiaries and 62 per cent the primary victims. It is true, many victims do not realize that they are victimized by the redistribution process. With low personal incomes, their tax liabilities may be insignificant. And without money in the bank or in a pension fund, the inflation may be of no concern to them. But they do not realize, unfortunately, that the price of every product or service they buy has been boosted greatly by the taxes imposed on the producer. It is the consumers who ultimately pay the corporation taxes and other levies on business. And consumers suffer diminutions of income and wealth when inflation raises their income-tax rates and boosts goods prices faster than incomes.

Other victims may be unconcerned because they themselve derive some clearly visible benefits from the political transfer process while their losses are hidden in a

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maze of taxes and prices. The parents of children in government schools or universities are counting their transfer blessings that hopefully exceed the transfer losses. This is why millions of middle class victims continue to favor the growing role of government as a transfer agency. They mistakenly conclude from the visible benefits they receive that their benefits exceed the losses, and therefore are led to approve the basic principles and objectives of the whole transfer system.

To reverse the trend and reduce the role of government in our lives, and thus alleviate the government deficit and inflation pressures, is a giant eduational task. The social and economic ideas that gave birth to the transfer system must be discredited and replaced with the old values of individual independence and self-reliance. The social philosophy of individual freedom and unhampered private property must again be our guiding light.

Facing the Depression

Any stabilization program must make preparations for the inevitable depression. After all, the present system embodies at least two powerful depressive forces which a monetary stabilization would unleash. This is why the acid test of every stabilization attempt is the depression that soon appears in its trail.

A powerful depressive force is the very burden of government. Without monetary expansion that helps to finance the transfer programs, the high costs of government on all its levels would soon depress economic activity. A sixty-five billion dollar deficit like that suffered in fiscal year 1976, would simply crush the capital market and precipitate a devastating depression. But even if the government budgets were balanced, the combined load of federal, state and local governments, which is estimated to exceed 40 per cent of national income, could not be carried by the "private sector." As a result of monetary stabilization, there would no longer be any inflation victims helping to finance government spending and public debt; government would have to rely exclusively on taxpayers and lenders. But this massive shift of burden from money holders and inflation victims to the latter would have the same depressive effects as a new deficit that consumes loan capital and invites additional taxation. This is why any attempt at monetary stabilization must be accompanied by reductions in government spending.

If our money were stable, business would soon be threatened by the scissor effects of stable prices and rising costs. When business

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taxes are raised, business must curtail its operations. When powerful labor unions raise business costs through higher wages or lower labor productivity, while goods prices are stable, business may suffer economic stagnation and losses. Therefore, any attempt at monetary stabilization must be accompanied by a reduction in business taxes, which in turn must be preceded by a reduction in government spending. Without this spending cut, a mere reduction in taxation that leads to budget deficits and a shift of the costs of government to the loan market, would bring no relief to business.

Withdrawal Pains

Another powerful depressive force, at the time of monetary stabilization, is the economic distortion and maladjustment which previous inflation and credit expansion are leaving behind. After many years of inflation the economy is so badly disarranged that a return to normalcy would be marred by painful withdrawal symptoms. When monetary authorities expand the quantity of money and credit, they cause interest rates at first to fall. Business is then tempted to embark upon new expansion and modernization projects, taking advantage of the lower interest costs.

But the feverish activity that follows is falsely induced by newly-created money and credit, unsupported by genuine savings. The feverish bidding for land, labor, and capital goods raises their prices. That is, business costs soar, and now render many projects unprofitable. Many may have to be abandoned or written down as business failures—unless new money and credit are made available to support the malinvestments. During many years of inflation, countless economic undertakings were spawned by easy money considerations and sustained by even more inflation. This is why any attempt at monetary stabilization would reveal a shocking extent of disarrangement and maladjustment and should prepare to cope with the ensuing depression.

The monetary reformer faces a choice between two possibilities. He may rely completely on the flexibility and ingenuity of business to achieve new profitability through cost-cutting readjustment. He may do so with confidence in the individual enterprise system and in the knowledge that throughout the U.S. economic history, prior to the radical interventionism of the Great Depression, American business always rebounded quickly from occasional stagnations and depressions. Or, the reformer may want to give business recovery a boost through tax reductions. Of course, such a reduction must again be ac-

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companied by cuts in government spending lest its burden merely be shifted to the loan market. In any case, during the trying weeks and months of the stabilization crisis, it is essential for the success of any stabilization program to resist arduously and successfully any temptation and public pressure to return to deficit spending and easy money.

Restoring the Labor Market

The inevitable stabilization depression must be expected to be especially painful because the U.S. labor market, after more than fifty years of government intervention, has lost its viability and flexibility to cope with necessary labor adjustments. Even without the special strains of a stabilization depression, the U.S. unemployment rate presently stands at 7.8 per cent. A policy of monetary stabilization that would deny government the right to launch new deficit spending and easy money policies would soon encounter intolerable multiples of this unemployment rate—unless the labor market is restored to cope with the expected increase in unemployment. Without a labor market vitalization, any attempt at monetary stabilization is bound to run aground on unbearable rates of unemployment.

To vitalize the labor market is to rescind the government interventions of half a century. According to the late Roscoe Pound, one of the most eminent legal philosophers of our time, the labor leaders and labor unions are enjoying legal privileges and immunities which only kings and princes enjoyed during the Middle Ages. In the 1930's the U.S. Congress granted labor unions and their members the legal right "to commit wrongs to person and property, to interfere with the use of highways, to break contracts, to deprive individuals of the means of earning a livelihood, to control the activities of the individual workers and their local organizations by national organizations centrally and arbitrarily administered beyond the reach of state laws—things which no one else can do with impunity."

Two statutes, the Norris-LaGuardia Act of 1932 and the Wagner Act of 1935 radically changed the nature of labor relations.

The Norris-LaGuardia Act drastically limited the jurisdiction of the Federal courts in labor disputes and especially prohibited the courts from enjoining coercive labor union activities. Before the Act, the Federal courts had been enjoining violent, intimidatory, coercive activities of the unions, although peaceful strikes were sanctioned. The Norris-LaGuardia Act made practically all union conduct untouchable by the courts.

The National Labor Relations

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Act (Wagner Act) placed one-sided emphasis upon "unfair practices" by employers and eliminated all possibilities of direct access to the Federal courts. It made it an "unfair practice" for an employer to interfere with, restrain, or coerce employees in the exercise of their rights to form a union and to participate in union acitivities. It forbade employers to interfere with the formation and administration of any labor organization. But above all, the Wagner Act took all labor cases out of the courts of law and transferred them to the new National Labor Relations Board. This Board is a quasi-judicial administrative tribunal whose members are appointed by the President. They have often been accused of corrupting the law that is already biased in favor of the unions.

Minimum Wage Laws

Federal labor laws have been setting minimum wage rates ever since 1933. The present rate is $2.30 an hour, to which we must add the legal fringe benefits amounting to approximately twenty-five to thirty-five percent, so that the minimum costs of employment of every American worker, even the least productive, may exceed $3 per hour. It is estimated that at least 3 million idle Americans owe their unemployment to this labor law. Teenagers and uneducated, unskilled minority workers are its primary victims. In a stabilization crisis, the minimum wage law may deny employment to several additional millions.

The Davis-Bacon Act as amended in 1961 authorizes the Secretary of Labor to set minimum wages in construction that is financed, subsidized, insured, or underwritten by Federal agencies. The Secretary usually sets a minimum that coincides with the going labor union pay scale. In most trades the pay for construction apprentices, for instance, stands at $7.50 per hour, which readily explains why there are no young people at work on construction sites.

The system of unemployment compensation in its present form is a powerful force for unemployment. It provides for compensation up to $125 per week for 65 weeks, in addition to some family allowances. It is supplemented by a generous food stamp program, and, in many cases, by various employer and union benefits. Altogether, the system paralyzes the market for unskilled labor through offering benefits for unemployment that may approach or even equal the pay for actual work performed. It leaves a tiny margin of financial incentive which for millions of workers does not offset the disutility of labor. In short, to many people, a week's leisure may be worth more than the small

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income increment that may be earned from a week's work.

All such handicaps to producitivity need to be removed, or at least reduced, when the national currency is stabilized. Surely, it is very simple to halt inflation by ordering the central bank to cease and desist from any further money creation. But it is extremely painful, after many years of government intervention, to suffer the withdrawl symptoms. They point up not only the economic difficulties of any stabilization policy, but also its ideological and educational complications. In fact, they raise the ultimate reform question: are the people prepared to suffer the withdrawal pains that will be all the more excruciating the more they obstruct and restrict the labor market? In the pains of a stabilization crisis, will the people succumb, once again, to the temptations of easy money and deficit spending? Or will they see it through, all the way, to stable money?

IDEAS ON LIBERTY

Natural Value

IT IS NOT MORE ABSURD to attempt to impel faith into the heart of an unbeliever by fire and faggot, or to whip love into your mistress with a cowskin, than to force value or credit into your money by penal laws. . . .

The only possible method then of giving value or credit to money is to give it such qualities, and clothe it with such circumstances, as shall make it a sure means of procuring every needful thing; for money that will not answer all things is defective, and has not in it the full nature and qualities of money. In this way only it will grow fast enough into esteem, and become a sufficient object of desire, to answer every end and use of money. Therefore, when the question is proposed: "How shall we give credit or value to our money?" the answer, the only true answer, is: "Bring it into demand, make it necessary to everyone, make it a high means of happiness and a sure remedy of misery." To attempt this in any other way is to go against nature, and of course into difficulty, only to obtain shameful disappointment in the end.

PELATIAH WEBSTER
Not Worth a Continental

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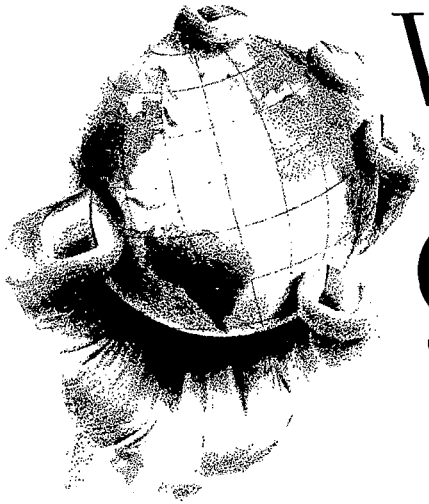

World in the Grip of an Idea

Clarence B. Carson

2. Marxism: Revolutionary Socialism

Both for the production on a mass scale of this communist consciousness, and for the success of the cause itself, the alteration of men on a mass scale is necessary, an alteration which can only take place in a practical movement, a revolution; *this revolution is necessary, therefore, not only because the* ruling *class cannot be overthrown in any other way, but also because the class* overthrowing *it can only in a revolution succeed in ridding itself of all the muck of ages and become fitted to found society anew.*

—Karl Marx

THE IDEA which has the world in its grip has two poles. One pole is the revolutionary road to socialism; the other is the evolutionary road to socialism. The idea—to achieve human felicity on this earth by concerting all efforts toward its realization—is the same for both of them. Both poles, too, operate to root out and destroy the received culture and use government as the

In this series, Dr. Carson examines the connection between ideology and the revolutions of our time and traces the impact on several major countries and the spread of the ideas and practices around the world.

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instrument that is supposed to move them toward the realization of their goal. The basic difference is one of tactics, then, though tactics are no small matter when they resolve into a question of whether persuasion or a shot in the back of the neck is at issue, as it has sometimes been.

In any case, it is appropriate to begin the examination of particular approaches to socialism with Marxism. Indeed, there are compelling reasons for beginning with Marxism. One is that the world communist movement is traced to its source in Marxism. The other is that all modern socialism comes into focus better when seen from the angle of Marxism. It has been said that all of Western philosophy is a series of footnotes to Plato. It can be said with equal validity that modern socialism is a series of footnotes to Karl Marx.

A Man of Contradictions

Why this should be so is a baffling question. The facts of his life help hardly at all to explain it. Marx was certainly not a leader of men. He was repelled by most people, even if they were not by him. He championed the cause of the laborer (or industrial proletariat, as he chose to call him), yet he was himself an intellectual. He proclaimed the importance of action, yet he spent much of his life in libraries amidst the musty smell of books. His ghost hovers over the thrust toward planned economies for nations and empires, yet he was throughout his life incompetent to manage the financial affairs of a household. Even his literary output fell short of his aims and the expectations of those who provided financial aid. He is best known for *The Communist Manifesto*, a rather short pamphlet which was the joint effort of Marx and Friedrich Engels, and the one volume he completed of *Das Kapital*. Most of his other writing was done in spurts, and consisted mainly of critiques of other works at the time. There was much more of what was wrong with the thinking of others than there was of straightforward development of his own ideas.

The details of his life go further toward explaining why he may have held certain beliefs than they do to accounting for why others were attracted by the Marxian formulations. Marx was, for most of his adult life, a man without a country, if country be taken to mean not only a nation but also religion, culture, and sense of being a part of a received heritage. Marx's father and mother had been Jewish, but his father became a Protestant in a predominantly Catholic community, converted, it was said, to keep his government job. Karl Marx was baptized a Christian but in early

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manhood became a militant atheist.

He attended universities at Bonn and Berlin, but presented his doctoral thesis for his degree to the University of Jena, which he had never attended. He never had what could be called regular employment but earned such income as he did from writing and editorial work. Though he married and fathered several children, the family lived from pillar to post, so to speak, as Marx sought refuge first here, then there. He was frequently in trouble with the political authorities for his revolutionary activity, seeking refuge in Paris, in Brussels, and finally in London. Such friends as he had were fellow revolutionaries, and, among revolutionaries, he got along only with those who agreed with his version of things. His country, if he had one, was in his mind, and that does help to explain his doctrines.

Even so, this alienated man, this man without a country, without traditional religious underpinnings, with few possessions, with only a boiling animosity toward his culture, who could be aroused to write only out of opposition, set forth the doctrines which are today used to hold more than a billion people under control. What brought this about? The answer is surely not to be found in the details of his life. The answer, if it can be had, is in the doctrines. It is in Marxism.

What is Marxism? One way to answer the question is to say that it is that body of doctrines which was formulated by Karl Marx in collaboration with Friedrich Engels in the course of both of their lives. (Engels outlived Marx by several years and continued to expand upon the work that Marx had done.) Or, it can be approached from the angle of its antecedents in German romanticism, Hegelianism, the materialism of Feuerbach, the socialism of Proudhon, the anarchism of Bakunin, and the whole complex of mid-nineteenth century radicalism which was nipping and yapping at European society. Or, it can be traced forward in time into Leninism, Stalinism, Titoism, Castroism, Maoism, and all the variants of it that have been shaped by men attempting to apply it or apply some variety of it.

But any or all of these approaches would take us away from rather than toward the core of Marxism. It is misleading, too, to treat Marxism as a system of thought, though at some point it has to be done. It is certainly not a system of thought by reason of fitting into the established categories for utilizing reason and experience. Marx did not proceed deductively from self-evident axioms. Nor did he proceed inductively to arrive at conclusions from the assembled evidence. But his is not a system of thought.

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If it were a system of thought, it could be tested and found to be true or false. It could be held up against actuality and be refuted. Bertram D. Wolfe has noted that Marxism "cannot be shaken by mere rational or factual refutation of any number of its concrete propositions, even those that are central to its logical structure."[1] There may be several reasons for this, but a crucial one has not been much emphasized. Marx is not talking about actuality, or what we ordinariy call reality, in his basic propositions. It is difficult to refute from actuality what bears no demonstrable relation to actuality.

The Labor Theory of Value

Marx's mode of arriving at conclusions needs to be illustrated by example to show that he was not operating in contact with actuality. This may be done best by his labor theory of value, which is the lynchpin of Marxism. Marx tells us, first, that the value of commodities is determined by the amount of labor used in making them. He put it this way: "The *relative values of commodities* are, therefore, determined by the *respective quantities or amounts of labour, worked up, realised, fixed in them.*"[2] But what is value? That was easy enough for Marx to answer. Price "is a peculiar form assumed by value." "*Price*, taken by itself, is nothing but the *monetary expression of value.*" He tells us, further, that, on the average, "the *market price* of a commodity coincides with its *value.*"[3]

The novice might suppose, then, that the value of labor equals the value of commodities produced by it. More, since price and value are, in effect, the same, the price of labor would be the price of commodities. But Marx would not have it as simple as that. He hastens to assure us that "there exists no such thing as the *Value of Labour* in the common acceptance of the word."[4] What the working man sells, he says, is not labor but "*Labouring Power.*" "The *value* of the labouring power is determined by the quantity of labour necessary to maintain or reproduce it .... "[5] There is another difficulty to be got out of the way, too. It might be supposed from Marx's initial formulation that the more work that went into a commodity the more it would be worth. Not at all, says Marx, it is not labor *per se* that determines value, but the amount of "*Social* labour" that goes into making the product.

It would be possible to follow Marx's analysis further, but perhaps it is not necessary here. Marx claims and may even appear to be talking about the actual world. He is not. Every key word and phrase he uses is loaded with his own special meaning. It is true

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that he uses market price in the common signification, but he makes clear that prices in the market are relative. All his certainty is reserved for those concepts he has given a special meaning. *Value* is not value—i.e., something which arises from our desires—; it is the same thing as "natural price,"[6] an idea borrowed from the classical economists and dragged, one hopes, kicking and screaming into the discussion. *Labour* is not labor; it is *Labouring Power*. That amount of labor which determines the price of commodities is not just labor; it is *Social Labour*.

His Word for It

How do we know that the value, or price (as in his equation), of a commodity is determined by the amount of social labor in it? We know it, if we know it, only because Marx has told us. There are no calculations that can be performed to prove it. There is no way to add the amount of labor, set it beside the price, and demonstrate that the one is equal to the other. Moreover, even by his own formulation, that would not do it, for it is social labor, not labor that can be summed up in hours and minutes, that he says equals the value of commodities produced.

Is Marx's labor theory of value right or wrong? Let us put the difficulty of answering this way. Marx only appeared to be talking about the actual world; he was talking about his own vision of a world, a vision of a world that was, is, and will be, but could be conceived only by a willful negation of the world that *was* in 1865, when he spoke. The proof, if proof there would be, of Marx's assertion lay in the future, not in the past. If Marx's labor theory of value were a set of propositions about the actual world, it would be subject to refutation. It was not.

The labor theory of value belongs to Marx's special Revelation, a revelation vouchsafed to him and to all who have the will to believe it. The refutation of Marx is accomplished by disbelief or, most likely, a strongly held set of counter-beliefs, not by treating it as a coherent thought system.[7] This conclusion is buttressed by the tenacity of Marxists in the face of what appears to non-Marxists to be the most convincing demonstrations from reason and experience of its fallacies.

Marxism is an anti-religious religion. To see it in any other light is to miss its character and appeal. A lifelong student of Marxism describes it this way:

> In an age prepared for by nearly two thousand years of Christianity with its millennial expectations, when the faith of millions has grown dim, and the altar seems vacant of its image, Marxism has

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arisen to offer a fresh, antireligious religion, a new faith, passionate and demanding, a new vision of the Last Things, a new Apocalypse, and a new Paradise.[8]

It is commonly said that Marx stood the philosopher Hegel on his head. He did much more than that. He stood Christianity on its head. Marx held that Christianity was the perfecting of religion. It was, so to speak, the highest religion, as religion, possible. Its perfection would, as in everything else for Marx, result in its negation. Its negation was the flowing into Marxism of Christian imagery, hopes, and longings with everything reversed: eternity brought into time, spirit become matter, the Second Coming become Social Revolution, the Incarnation become the proletariat, and communism become the hope of redemption. The appeal of Marxism, then, is not only that it is an anti-religious religion but also that it is an anti-Christian christianity.

The End of Philosophy

Marxism is also an anti-philosophy philosophy. The reign of philosophy ended with Hegel, for whom philosophy became history as idea became actuality. Marx substituted matter for idea, which made philosophy even more a dead letter. Western philosophy has been dualistic following the insights of Plato. Marx propounded a dualism which would end finally in the destruction of one of the duo—the bourgeoisie—and with the triumph of communism an end to history as well. For Marxism, everything is finally being reduced to one. All the elements which have been developed and discerned will move finally to their resolution in one element.

Karl Marx was a poet and a prophet, a poor poet and false prophet, no doubt, but poet and prophet nonetheless. Not nearly enough has been made of the poetic flavor of Marx's writing. This is not surprising, for few undertakings are so remote from poetry as economics, particularly the ponderous variety of economics constructed by Marx. Yet, many of the Marxian formulations are best grasped as the work of a poet. Take the following, for example:

> The task of history, once the world beyond truth has disappeared, is to establish the truth of this world. The immediate task of philosophy which is at the service of history, once the saintly form of human self-alienation has been unmasked, is to unmask self-alienation in its unholy forms. Thus the criticism of heaven turns into the criticism of the earth, the criticism of religion into the criticism of right, and the criticism of theology into the criticism of politics.[9]

Whether this passage can be construed so as to make sense of it is a question that can be left to the side.

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My point is that if it could be it would have to be construed, much in the manner of an obscure poem. What is "the world beyond truth," or "the truth of this world," or "the saintly form of human self-alienation," or "the criticism of heaven"? Considered as prose, the whole passage is nonsense. Considered as poetry, what sense it contains can be discerned by consulting the Marxian framework. (Poetry has been traditionally construed by the knowledge of certain conventional allusions. Marx's phrases are construed by reference to his disillusions.)[10]

A Prophet of History

Marx was a prophet, too, not a prophet of God, of course, but a prophet of History. He was the John the Baptist of communism, traveling hither and yon to proclaim the imminent coming of the Revolution.

Marxism is foremost, and finally, an ideology. To Marx, an ideology was a complex of ideas and beliefs arising out of class arrangements which served as rationalization and justification for the ruling class. But those not under his sway have quite a different view of the matter. Ideology is understood today to mean any complex of ideas and beliefs in terms of which things are explained and understood. Marxism, as a phenomenon, gives added precision to the term.

Marxism is a self-contained set of notions which reduces reality to the dimensions of Marx's vision of history. It explains what has been, is, and will be by way of these propositions. It is a figment of the minds of Marx and his interpreters. All Marxian thought, so called, is an unraveling of propositions found in the ideology. Before Marx, thought was determined by material conditions, Marx thought; after Marx, such thought as is done is to be determined by and kept within the lineaments of the ideology. This last is not what Marx said, but it follows from the revealed nature of the ideology.

Everywhere Marx looked he saw paradox, contradiction, struggle, and eventual destruction. A vast and interlinked disharmony prevailed everywhere, a disharmony that was fated to continue and worsen until that should eventually occur which would bring an end to it and produce harmony and unity. The key concepts of the Marxian ideology are these: *alienation, class struggle, industrial proletariat, bourgeoisie, labor theory of value, capitalism, social revolution, socialism,* and *communism.*

There is a brilliance within Marxian ideology which what has been said thus far might not indicate. It should not be denied, however. Marx was an intellectual scavenger, taking in vast quantities of litera-

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ture by his voluminous reading, opposing the particulars of almost every formulation he encountered, then subjecting all to his own particular turn of mind before he appeared in print with the result. He defined his position in opposition to what he read, but he also incorporated much of what he read into his position. Whether the brilliance comes mainly from what he incorporated or from what he originated is a question that here can be left open. That the brilliance is there should, however, be acknowledged. Unfortunately, he had a tendency to vulgarize.

This was so in the case of his theory of alienation. The Marxian theory of alienation was most fully developed in his earlier writings, and there is some tendency to discount it because some of these were not published until long after his death. Even so, it is crucial to his whole ideology. The theory can be stated in some such fashion as this. Man as we know him is not real, essential man. His reason is flawed. What he experiences is distorted by ideology. He is not free but is rather imprisoned by circumstances and conditions over which he has no control.

Sources of Alienation

The sources of this condition are what might be called mechanical conditions by which he is alienated. He is alienated from himself, first of all, by religion. Religion subjects him to the mediating powers of others. He is alienated from himself by private property. Property sets him at odds with others and alienates him from his social nature. He is alienated from himself by the state. The state is an artificial creature which arises from division into classes in society. It is an instrument of class rule. He is alienated from the product of his labor by its appropriation by the capitalist. This alienation is apparently exacerbated, too, by the division of labor.

This theory of alienation is usually known in its most vulgar form, i.e., in the alienation of the wage earner from the product of his labor. This is so, mainly, because Marx and Engels placed the greatest emphasis upon it by elaborating it so much. Here is a fairly typical expression of the alienation of the worker theory:

> The alienation of the worker in his object is expressed as follows in the laws of political economy: the more the worker produces the less he has to consume; the more value he creates the more worthless he becomes; the more refined his product the more crude and misshapen the worker; the more civilized the product the more barbarous the worker. . . .[11]

The concept was vulgarized (vastly oversimplified, anyhow) by bring-

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ing it all to bear on the alienation of the worker.

In any case, it was alienation which made revolution necessary for Marx. Marx was certainly aware that during his lifetime governments were taking various measures intended to ameliorate the lot of the worker. Why might socialism not be achieved by gradual degrees in an evolutionary fashion? Marx sometimes wavered on the matter, but he returned again and again to the position that revolution will be necessary. It will be necessary because alienation is too broadly and deeply established. The Gordian knot of alienation must be broken, and revolution is the means by which he thought this could be accomplished. Revolution, presumably, would shatter the bonds forged by alienation.

Class Warfare

What Marx meant by revolution, as what he meant by anything else in his special language, is colored by ideology, refracted through his special vision, and given a special meaning. One thing he meant was a conflict in which the industrial proletariat should triumph over the bourgeoisie. Marx and Engels put it this way:

> The immediate aim of the Communists is the same as that of all the other proletarian parties: formation of the proletariat into a class, overthrow of the bourgeois supremacy, conquest of the political power by the proletariat.[12]

The revolution must proceed, however, to become a social revolution:

> But while a *social revolution* with a *political soul* is either a paraphrase or a meaningless expression, a *political revolution* with a *social soul* is a meaningful phrase. The *revolution in general* . . . is a *political act* . . . However, when the *organizing activity* of socialism begins and when its *own aims,* its *soul* comes to the fore, socialism abandons its *political* cloak.[13]

The important thing here is that as a result of the revolution everything, *everything,* is to be altered and changed:

> The Communists disdain to conceal their views and aims. They openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions.[14]

Everything is to be transformed:

> Communism is the positive abolition of private property and thus of human self-alienation and therefore the real appropriation of the human essence by and for man. This is communism as the complete and conscious return of man. . . . It is the genuine resolution of the antagonism between man and nature and between man and man. It is the true resolution of the struggle between existence and essence, between objectification and self-affirmation, between freedom and necessity, between individual and species . . . .[15]

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All existing relations must be abolished—destroyed—so that social man may emerge:

> Religion, family, state, law, morality, science and art are only particular forms of production and fall under its general law. The positive abolition of private property and the appropriation of human life is therefore the positive abolition of all alienation, thus the return of man out of religion, family, state, etc., into his human, i.e. social, being.[16]

Marx apparently realized that such a revolution would not be completed swiftly. He said that the working class "will have to pass through long struggles, through a series of historic processes, transforming circumstances and men."[17]

The remainder of the Marxian formulations have to do mainly with establishing "scientifically" that the revolution is inevitable. The labor theory of value was the lynchpin of this demonstration. If Marx was right in this theory, the laboring man was being robbed of the fruits of his labor. Moreover, he claimed that the more capital that was accumulated, invested, and concentrated, the more deplorable would be the plight of the industrial worker. More and more people would fall into this class; in numbers it would constitute the majority of people in a country. When the situation of the working class became sufficiently desperate, its numbers so overwhelming, it would revolt and throw over the ruling class. All of history had been a series of class struggles. The stage was being set, Marx proclaimed, for the final class struggle, the class struggle to end all class struggles, the class struggle between the proletariat and bourgeoisie.

In-Built Tyranny

It is often alleged that the tyranny of communism in practice is the result of some sort of aberration from Marxism, or from Leninism, or is the result of a historical residue of Oriental Despotism in certain lands, or whatever. On the contrary, the tyranny is implicit in the ideology. The tyranny of communism is so essentially a part of Marxism that if a committee of Albert Schweitzers were assembled to put it into operation in some land they could only proceed by becoming tyrants. A review of the essentials of Marxism should demonstrate why this is so.

The engine of Marxism is hatred, hatred for everything as it is, hatred of religion, hatred of the family, hatred of the division of labor, hatred of the state, hatred of capitalists, hatred of property, hatred of the "rural idiocy" (as Marx put it) of farmers, and, yes, hatred of industrial workers.[18] The proletariat who would triumph and

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be transformed into true man was not, of course, the industrial worker whom we actually encounter. He must be the class conscious industrial worker, i.e., a worker become Marxist in his conceptions. Above all, Marxism is a hatred of the past, everything shaped out of it, everything drawn from it, which is to say, just about everything. Marxism is a hatred of all imperfection, and everything that is, is imperfect. In short, Marxism hates man as he is and has been.

The *modus operandi* of Marxism is destruction. That is the true meaning of Marxian revolution. It is no simple seizure of political power. It might better be conceived as a cataclysmic earthquake, followed by devastating tremor after devastating tremor until every relationship that was has been sundered. All the actuality that has been accumulated through the ages must be destroyed—property relationships, religious belief, family ties, legal forms, the intellectual heritage, culture and civilization itself. How else, but by tyranny, can such a destruction be wrought?

Tyranny is embedded in the very framework of Marxism. What is history for Marx but a tyrant? The course of history is determined, according to him; it has a direction which is beyond our control. Such history is not guide, but dictator, so to speak. More, "History is the judge—its executioner, the proletarian."[19] Of course, the executioner and tyrant is not the whole body of the proletariat; it is to be carried out by the class conscious wing. No clearer prescription for tyranny has been contrived.

On the other side of the divide, of course, Marx tells us that all this will end. The class struggle will end with the victory of the proletariat. With this victory, too, history will end. The state will be no more; it will wither away. The dictatorship of the proletariat will have ended because its work will be done. Man will no longer be separated from man; he will have become completely social. He will become pure man, so to speak, with all his energies released and himself integrated. Even the rift between man and nature will be healed.

Appeal to Passions

The appeal of Marxism lies in the fact that it justifies and sanctifies the release of the demonic urges in each of us. It justifies and sanctifies hate, envy, the love of power, the bent to destruction, the desire to set everything right (particularly, others), and all the vague and unfulfilled longings of man. It offers to the believer union with the forces of history, an end to his separateness, and the assurance of final victory which is inevitable. It offers,

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too, an end of struggle, that struggle which has been man's lot throughout history. Its deepest appeal has always been to intellectuals, to those men who sit on the fringes of society with their ideas. It holds out to them the hope and expectation that their ideas can at last become actuality.

The reality of communist practice proceeds directly from Marxian theory. The revolutionary road to socialism was staked out by Karl Marx and Friedrich Engels. The proof of this must be sought in the communist practice. But first, there is another road to socialism, the evolutionary road. That, too, draws sustenance from Marxism. Marx is even supposed to have suggested late in life that in some lands revolution might not be necessary. In the report of a speech in 1872, he is supposed to have said:

> We know that one has to take into account the institutions, customs and traditions of various countries, and we do not deny that there are certain countries, such as America and England, to which if I were better acquainted with your institutions, I would also add Holland, where the workers can attain their goal by peaceful means. . . .[20]

But evolutionary socialism has its own ideology, and it needs to be examined on its own grounds.

Next: *3. Evolutionary Socialism*

— FOOTNOTES —

[1]Bertram D. Wolfe, *Marxism* (New York: Dial, 1965), p. 361.

[2]Karl Marx and Friedrich Engels, *Selected Works* (New York: International Publishers, 1968), p. 204.

[3]*Ibid.*, p. 207.

[4]*Ibid.*, p. 209.

[5]*Ibid.*, p. 212.

[6]*Ibid.*, p. 208.

[7]This is not to belittle the achievement of the Austrian School in their effort to refute Marx. Their achievement, however, is accomplished by denying the validity of Marx's concept of value. That is to say, their refutation depends on abandoning his framework.

[8]Wolfe, *op. cit.*, p. 369.

[9]Quoted in Thomas Molnar, *The Decline of the Intellectual* (New York: Meridian, 1961), p. 90.

[10]Marx wrote a goodly amount of verse in his youth, and even retained an interest in poetry after he became a revolutionary. See David McLellan, *Karl Marx: His Life and Thought* (New York: Harper & Row, 1973), pp. 20-25, 103-04. Engels was said to have been something of a poet, too.

[11]Z.A. Jordan, ed., *Karl Marx: Economy, Class and Society* (New York: Scribner's, 1971), pp. 126-27.

[12]*Ibid.*, p. 299.

[13]*Ibid.*, p. 283.

[14]*Ibid.*, p. 292.

[15]Quoted in McLellan, *op. cit.*, p. 118.

[16]*Ibid.*, p. 119.

[17]Jordan, *op. cit.*, p. 301.

[18]See Wolfe, *op. cit.*, p. 198.

[19]Jordan, *op. cit.*, p. 292.

[20]*Ibid.*, p. 294.

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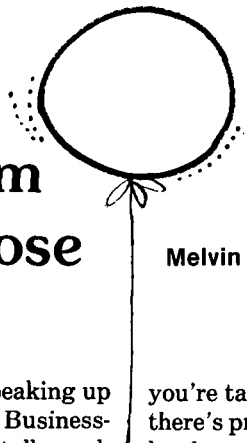
The Freedom to Choose



Melvin D. Barger

EVERYBODY seems to be speaking up for freedom these days. Businessmen give free enterprise talks, college professors have their thing with academic freedom, feminist organizations sponsor the new freedoms for women. Students want more freedom, and so do workers, welfare recipients, soldiers, senior citizens, gay groups, farmers, actors, writers, and so on.

Since freedom has so many advocates, you'd think that we ought to be headed for a new dawn of liberty, with everybody being so free that he has to take on ballast to keep from floating away like a balloon.

Sadly, this is not the case.

Freedom is actually having a rather bad time of it in the world, no matter what part of the globe you're talking about. We know that there's precious little freedom in the hard core Communist countries or the so-called Third World countries. But I'm not sure that the box score for freedom is very good in our own country either, or in the other nations of the West. While many countries are victimized by dictators and one-party governments, we have been sliding into a system that could be called, for want of a better term, *bureaucratic despotism.* My concern here is with the problem of coping with *bureaucratic despotism,* how it eliminates free choice, and whether there's any reason to believe that we ever can emancipate ourselves from this system.

I am 51 years old, and I started school in a small town in Nebraska, taught by a teacher whose name, believe it or not, was Betsy Ross.

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Betsy was a solid true blue American and she taught that George Washington never told a lie and that he even admitted he had chopped down a cherry tree. She gave us a thorough indoctrination in Americanism. Even in the Depression, we were taught that this was the best place on earth. It was the land of the free. This freedom was defined in simple, everyday terms. Free to vote for candidates of your choice. Free to live where you please. Free to travel. Free to own property. Free to speak your mind. Free to criticize the President or anyone else. Free to go to any church you wanted to.

I'll admit that all of this was rather simplistic and that American freedom was not available to everybody, even then. We have certainly learned that blacks were not then free, and perhaps Betsy should have told us that George Washington owned several hundred slaves who were not particularly well treated. Nevertheless, Americans have always been proud of their freedom and it is this general commitment to freedom that helps pave the way for its realization in many forms.

In recent years, however, liberty has been lost. It is often hard to say just how liberty is being lost, and we are sometimes beguiled into thinking that it is not being lost at all. A massive, complicated Federal bureaucracy now runs a good deal of the country, but we are told that we chose this system and that all of it is operating in the public interest and for our own good.

Begging the Question

The people who support this massive bureaucratic despotism make short work of arguments about freedom. Their reasoning is tricky and deceptive. Tell them that you've lost freedom and you quickly find yourself on the defensive. What freedom are you talking about, they say. The freedom to starve? The freedom of the capitalist to exploit the downtrodden worker? The freedom of the seller to use fraud and misrepresentation? Implicit in these questions is the belief that traditional American freedom never worked very well and that individuals always act irresponsibly and destructively when left to themselves.

Now I believe that an *honest* study of American business and social history will prove that individuals show far greater capacity to solve social problems and make general progress when left alone than when controlled by government. In fact, it almost seems to me that governments have been the principal obstacle to progress and always become reactionary. But that's not what's being taught in our schools or proclaimed by our

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thought leaders. There's great faith in the ability of government to solve problems, despite the dismal record to the contrary. And I'm afraid the record will have to worsen before the true believers finally abandon their faith in government, if they ever do.

Freedom of Choice

In the meantime, I think *we* ought to take a hard look at what's happened to our *freedom of choice.* This freedom to choose was the basic right that Americans always prized so highly. It was the simple freedom that my early teacher Betsy always loved to talk about. It was synonymous with Americanism and symbolized what we wanted for the whole world. But the sad truth is that this freedom to choose has been crowded out and is dying of neglect. It gets lip service, but not the support it needs for survival.

Yet, at hardly any time has an elected leader or even a bureaucrat ever had the gall to express directly a contempt for the individual's *freedom of choice.* They show amazing skill in sidestepping the implications of their own actions. Their attacks and controls and regulations are always directed at unpopular organizations and institutions or prominent scapegoats, never at the individual who is called the "average person." Nevertheless, it is the average person whose freedom of choice is under attack. Until this fact becomes generally understood, the freedom to choose will continue to wither away.

Where do we stand as of this moment? Well, it is always difficult to spell out just how freedom of choice has been curtailed, because different people see it in different ways. I think it's a fair statement to say, however, that most middle income people have lost any power of choice over the 40 to 45 per cent of income that goes to support government at all levels. You receive services in return for this, so it is not all loss in an economic sense. But you have no personal control over the quality and type of these services. You are compelled to pay for them and to take the services given to you, regardless of quality. If you become dissatisfied with any of these services or spending programs, you have little power to modify them or to eliminate them altogether. Even Congress does not have such power, practically speaking, because there is very little government spending that is *discretionary.* Most government spending is well-established and is jealously guarded by special interest groups. *Nobody has the power to reduce it, and that is a fact of life. Nor can I conceive of any administration or important political party that could reduce it.*

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Forms of Intervention

It is very easy to belabor this argument, but I think you could go on to discover that freedom of choice has been curtailed by other actions. Regulatory agencies have greatly restricted freedom of choice without noticeably benefiting the consumer. Public education is now largely controlled by administrators and professional educators rather than the people who pay for the services. There is a proliferation of agencies and programs and actions which purport to solve various social problems while really doing little more than spending money and employing armies of bureaucrats. All of this seems to mushroom no matter who is in office and no matter how much it is criticized.

Taken as a whole, this accumulation of government has effectively destroyed the individual's right to choose or reject the services and controls being offered. This governmental apparatus is not under the control of the public and is only nominally controlled by our elected representatives. It is under the control of people who believe that they know what is best for you. It is managed by people who deeply believe that coercion ought to be used to make you toe the line. They are not evil people, and for the most part they want you to be healthy, well-fed, well-housed, well-educated and culturally uplifted. They are often people who express passionate approval of individual rights and personal dignity. But there is one thing they cannot give—your free choice. They can't help playing Big Brother and Big Sister. And in order to carry out their missions, they have to demand ever more power over your life. Never for evil purpose, mind you. Their despotism is always for good reasons.

Who Would Control Us?

Is there any way that this despotism can be dethroned and free choice restored? I believe that there is, if enough people have the will and understanding to see that it is done. But it's important to know that we didn't arrive at our present condition by chance. Our freedom of choice was bargained away in complicated legislative horse trading over a long period of time, and there are powerful interest groups that would oppose its restoration. They are, in fact, working to impose further controls on us. I will try to point out who they are and to show why it's in their interest to resist any change.

One of the principal defenders of big government, I'm afraid, is the business community itself. I don't like to say this, because I have worked for large corporations for 25 years and I am proud of the major

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accomplishments of American business. I really believe that we are in for very serious trouble if our business system is dismantled and replaced by some of the bizarre schemes now under consideration. American business, for all of its alleged shortcomings, has performed with great skill in identifying and serving its markets, and it worries me that more people do not realize how poorly this job is done under controlled and regimented systems.

But business firms and their managers tend to be specialists. They know their own ground, but they are often naive and self-serving in their dealings with government. I believe that if you assemble any group of company executives in a room, you'll find one or two who insist that they need government controls or benefits for the well-being of their own company or industry. You'll find others who have spent their entire careers in regulated industries such as utilities or transportation. Government intervention has become such a part of their business life that they see it as part of the supporting structure rather than as an unnecessary burden. They complain about the evils of too much regulation or interventionism, without ever being willing to battle it openly as a questionable system. They would join with the bureaucrats in opposing any attempt to eliminate regulation, particularly efforts to allow free market pricing or freedom of entry to the market.

We shouldn't expect business leaders to perform death-defying acts in defending private enterprise. It's also hard for an executive to take a position that is unpopular in his own company or industry. Nevertheless, the market place and the whole range of free choice could be better defended than it presently is by the business community.

"The New Class"

A second group that will defend the bureaucratic despotism is a body of people which Professor Irving Kristol calls "The New Class." The New Class includes journalists and others in public media, intellectuals and professionals who make their careers in the public sector, teachers, public administrators, and a broad group of people who have an established faith in interventionist politics. They are very anti-business, and they are suspicious of, and hostile to, the market. Professor Kristol says that they are interested in power, a power which in a capitalist society is supposed to reside in a free market. They want that power redistributed to government, where *they* will then have a major say in how it is exercised and can reshape society more along lines they have chosen.

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I think it would be very easy to prove that the New Class has produced the ideas and blueprints for the kinds of interventions we have today. Although business and the free market have always had defenders, the larger part of what has been published, broadcast, and taught during the past several decades has usually been more or less anti-business. Quite often, I'm sorry to say, some of this has been false and misleading. Even when true, it has been presented by prejudiced witnesses. So business, and the market, never really get a fair hearing.

The third major group that would oppose any significant change in the system are the beneficiaries of what Professor Daniel Bell calls "the revolution of rising entitlements." You could also call it the egalitarian movement, which is already in a very mature phase. Egalitarianism is a social movement that is supposed to make everybody equal. It is irresistible if you accept the egalitarians' major premise that government has the right and the duty to make everybody equal in all things. The problem with egalitarianism is not that it offers everybody *equal opportunity.* The real problem is that it is now going much further and offering *equality of result,* a much different thing.

Egalitarianism is an intensely seductive philosophy because it has many faces of appeal. For the down-and-outer—the person at the bottom of the heap—it is the hope that things will be better, that he will gain parity with his more fortunate neighbor. For the humanitarian, it is the hope that the world's resources will be applied to basic human needs rather than what he sees as frivolous things. For the planner, egalitarianism is a rationale that will give him the power he craves, for who can resist a bid for power by a person who strives only to do good.

Compulsory Redistribution

Once opened, however, the issue of egalitarianism has become a Pandora's Box. Professor Bell has correctly stated that the demands of egalitarians may endanger our political system. What this revolution amounts to is that there's apparently nothing in it that places reasonable limits on the demands special interest groups are making from government. Groups, in their striving for benefits and privilege, apparently know only one word, and that is *more.*

Professor Bell refers to an observation by Professor Charles Lindblom of Yale: "One of the great puzzles of twentieth-century history is that masses of voters in essentially free democratic societies do not use their votes to achieve a

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significantly more equal distribution of income and wealth, as well as many of the other values to which men aspire . . . What needs explaining is why they do not try."

In this regard, there's a second quotation that's been used frequently during the past 15 years. It's supposed to be a statement by an English historian a couple of hundred years ago, but I rather think it's anonymous and of very recent origin. Here is the quotation:

> A democracy cannot exist as a *permanent* form of government. It can only exist until the voters discover that they can vote themselves largesse from the public treasury. From that moment on, the majority always votes for the candidate promising the most benefits from the public treasury with the result that democracy always collapses over loose fiscal policy, always to be followed by a dictatorship.

Mushrooming egalitarianism, or the revolution of rising entitlements, is proof that voters have learned how to vote themselves benefits from the public treasury. There's reason to believe that national elections are really becoming vast and brawling auctions, with well-organized pressure groups manipulating candidates in their own behalf. The candidates not only promise *more* to certain groups in order to get elected; they also must view as sacred any legislative or spending program already in force. Millions of voters already have a vested interest in these benefit programs and will resist any reduction or modification in them. Since a candidate usually *loses* support by cutting spending and *gains* votes by spending or by imposing more controls, there's little hope for anything but steady increases in government on the road ahead.

Bureaucratic Pressure

Finally, there's the influence of the bureaucracy itself, which closely parallels the influence of the egalitarians. All of the government employees at every level are also voters and, as more people are added to public payrolls, there is increased political support for public spending programs which will benefit these same public employee voters. Federal and state legislators are already feeling considerable heat from organizations of teachers and postal workers, and it's safe to say that other groups will not be far behind. In effect, this helps make Federal bureaucracy self-perpetuating when the people who benefit financially from it are able to choose the policy-makers who control their salaries and benefits.

I think you'll have to agree that all of the four groups I've mentioned represent a great deal of political influence, and some of us will find that our own fingers have been in the government pie. Our

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companies have government contracts or subsidies, for example, or we have some other special interest in legislation or benefits in our own behalf. And that's one of the reasons why it will be difficult to find a way out of this bureaucratic despotism that is running our lives in so many ways.

But the outlook is not hopeless. It is probable that the problem will deepen in the months and years ahead. Nevertheless, there are countervailing forces and ideas that will either modify the problem or remove it altogether.

I believe that the thing to watch is never the prevailing power structures but the ideas that are dominant in most people's minds, and particularly in younger people who will soon be in positions of influence. *Ideas Have Consequences* was the title of an important book along these lines and the same rule was expressed thousands of years ago: *As people think, so do they become.* What this means is that the ideas people choose will determine the shape of their government and the future course of their country's history. This is true for both good and bad ideas.

Helpful Ideas

What ideas will help us? Well, here in the United States we have always had a fundamental belief in freedom and in fair play, and this has helped us right many wrongs and find our way out of many messy situations. We still emphasize the importance of practicality and common sense. Individualism is by no means dead, either, and there's respect for initiative and self-reliance. At the same time, we believe in reasonable compromise whenever possible. Most important, we really do believe in free speech and freedom of expression—really, the free exchange of ideas. We believe in this so strongly, in fact, that First Amendment rights will be supported in spite of the public disenchantment with the media.

The problem with bureaucratic despotism, however, is that it violates this fundamental belief in fair play and often offends our common sense. It promises much but delivers very little, and this fact is coming home to many people. It is surprising and encouraging to find large numbers of people complaining about the unfairness and stupidity of the bureaucracy. So there is actually a great deal more public support than we realize for freedom of choice, not only in ideas but in all things that matter.

I also believe that there's more support than we realize for the free market and common sense in our economic affairs. And this is where business firms have a great story to tell and one that they understand very well. Despite the sins that are

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laid at the door of business, most companies owe their vitality and growth to their success in a market place in which the consumer has been able to exercise *freedom of choice.* We are still competing, we are still bidding against many others for the customer's favor. This freedom of choice among goods and services clearly can be seen in every supermarket and shopping center in the land, and it has raised up a standard that government can't hope to match. Even our young people, who are supposed to be anti-business, are very much aware of this fact.

A Reaction to Force

We can expect the bureaucracy itself to serve as a great force in building a desire for free choices. You don't have to be another Jeane Dixon to predict that bureaucracy and government will become more oppressive and heavy-handed in the months and years ahead; it can't be otherwise. In government, the principle seems to be that nothing fails like success. The bureaucrats have been highly successful in expanding their spheres of power and their reasons for doing so have been plausible and convincing. They have not been able to perform up to expectations, however, and this failure is angering and alienating large groups of people. In the end, we will come to see that we have also lost free choice and that to seek its restoration is our right and our duty.

I don't know how free choice will or can be restored, but I am confident that it will happen if enough people believe in it and demand it. Since free choice has been woven into the very fabric of our society and has a long history, it cannot be permanently destroyed. It will either have its way or we will have to stop describing ourselves as a free people. I am confident it will have its way.

IDEAS ON LIBERTY

Alexis de Tocqueville

WHEN A PRIVATE INDIVIDUAL meditates an undertaking, however directly connected it may be with the welfare of society, he never thinks of soliciting the cooperation of the government, but he publishes his plan, offers to execute it himself, courts the assistance of other individuals, and struggles manfully against all obstacles. Undoubtedly he is often less successful than the State might have been in his position; but in the end the sum of these private undertakings far exceeds all that the government could have done.

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Free Trade, Freedom of Enterprise and All That

Donald B. Billings and Ellis W. Lamborn

THE CURRENT LOW PRICE for the world's "surplus" sugar has in recent weeks brought to center stage a conflict which is always lurking just beneath the surface of conversation, namely the extent to which Americans really do or do not believe in the "free market philosophy." Our attempted defense of free trade and the free enterprise system has elicited heated criticism from a community nominally devoted to the "free market" order. The chairman of a major sugar company is disappointed in our decision "to champion a 'free market' philosophy, as is popular in academic circles." The president of an association of beet growers suggests that he is "a firm believer in the free market and free trade [but] free trade in sugar is a horse of a different color." It would seem that the commitment to a free market system of economic institutions is only for the other guy. Our own horse is always of a different color.

Fortunately the appeal and defense of free markets in which new producers, foreign and domestic, are free to enter and compete does not exist "only in texts." The drafters of our Constitution saw the great wisdom of prohibiting restrictions on the flow of goods and services across state lines by explicitly providing in Article 1, Section 10, that "No State shall, without the Consent of Congress, lay any Imposts or Duties on Imports or Exports, except what may be absolutely necessary for executing its inspection Laws." The European Economic Community (Common Market) has copied this phenomenally successful U.S experiment in free

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trade in the Treaty of Rome, creating a customs union in which goods and services flow freely across national boundaries. These experiments in economic unification for the purpose of increasing the extent of the market and the degree of economic specialization have been extraordinarily successful in raising wages, salaries and incomes.

Market Stability

Those who argue that a particular industry should be subsidized and protected from foreign competition in order to provide for "orderly" and "stable" markets would, presumably, also be in favor of amending the U.S. Constitution so that Idaho might place quotas on the "surplus" automobiles imported from Michigan, the "surplus" oranges from Florida, or the "surplus" farm machinery from Ohio. Likewise, we should be up in arms over the subsidies that the state of Pennsylvania has recently negotiated for the assembly of Volkswagen *Rabbits* in the U.S., on the grounds that the subsidies will provide an unfair advantage for the Pennsylvanians. Shouldn't we be angry that Pennsylvania has seen fit to have their taxpayers subsidize our automobile purchases?

On the other hand, Idaho would presumably not be too appreciative of a decision by California (fortunately precluded by the U.S. Constitution) to place a quota on "surplus" Idaho potatoes. We can't have it both ways. Free trade and economic specialization increases real incomes or it does not! We believe in the "free enterprise" system (with all of its weaknesses and uncertainties for individual economic values which need to be dealt with in an enlightened manner) or we don't.

Low Foreign Wages

The traditional low-foreign-wages argument once again emerges as an argument for protection. It is argued that one of the reasons for the lower dollar cost of many foreign goods is the high "level of wages paid in the United States, including the domestic sugar industry, compared to those paid in foreign countries." Unfortunately, the argument is unsound. Relatively high wages are a result of high productivity, and relatively low wages are a result of low productivity. If American labor has high wages, it is because American labor has higher man-hour productivity than foreign labor.

If low foreign wages are the source of our troubles, then why is it the case that U.S. wages are highest in the very industries in which we are *most* competitive? Why do we dominate world markets for commercial airframes, computers, construction machinery,

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mineral mining machinery, communications equipment, medical instruments, and the like? These are industries with high skill and engineering labor requirements in which wages and salaries dwarf those in the sugar beet growing and processing industries. Comparative advantage and specialization are predicated on economic efficiency and *not* technical or engineering efficiency. Yield per acre is totally irrelevant. What matters are the relative prices and endowments of the different human and nonhuman productive agents used in the production process.

If labor is "cheap" abroad, we should be cultivating its use in those industries which use relatively more unskilled and semiskilled labor, and be making efforts simultaneously to transfer our more productive (i.e., high wage) labor force into those industries in which a productivity advantage, arising from technology, marketing, skill levels, and the like, is demonstrated. The Trade Reform Act of 1974 provides for liberal doses of "adjustment assistance" to ease the movement of labor and capital to the relatively more productive sectors of the American economy.

If the United States can export its environmentally destructive industries to more hospitable (clean) areas of the world which have a greater remaining capacity to absorb pollutants, then let it be done. To argue that a domestic industry is deserving of protection because it is forced to absorb the full social costs of environmentally destructive productive processes, not only argues for inefficiency but also ignores a fundamental truth. If the rest of the world is willing to give us sugar, rubber products, textiles, beef, automobiles, stereo components at a lower real resource cost than they can be made available from domestic resources, then it is to our advantage—providing we are interested in higher real incomes for the American people—to let them "dump" their productive resources in the United States.

It Takes Two to Trade

Of course, this is a two-way street. When trade has developed between nations, restrictions on exports will reduce that nation's capacity to import foreign products, the result being lower living standards in both the exporting and importing countries. The embargoes on our exports of wheat and soybeans in recent years are examples of this wrong-headed policy.

The fundamental error of logic of those who want "free markets" for the other guy and "orderly" markets for themselves was well exposed in 1846 by Frederic Bastiat in his imaginary petition to the French Chamber of Deputies. His

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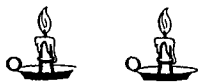
satirization of the protectionist fallacy was in the name of free trade and freedom of enterprise. He entitled it a "Petition from the Manufacturers of Candles, Waxlights, Lamps, Chandeliers, Reflectors, Snuffers, Extinguishers; and from Producers of Tallow, Oil, Resin, Alcohol, and in General Everything That Concerns Lighting."



Gentlemen, you are right: you reject abstract theories. As practical men, you are anxious only to free the producer from foreign competition and secure the *national market* to *national labor.*

We now offer you an admirable opportunity to apply your practice. We are subjected to the intolerable competition of a foreign rival whose superior facilities for producing light enable him to flood the French market at so low a price as to take away all our customers the moment he appears, suddenly reducing an important branch of French industry to stagnation. This rival is the sun.

We request a law to shut up all windows, dormers, skylights, openings, holes, chinks, and fissures through which sunlight penetrates. Our industry provides such valuable manufactures that our country cannot, without ingratitude, leave us now to struggle unprotected through so unequal a contest.

Do not repulse our petition as a satire without hearing our reasons. Your protection of artificial lighting will benefit every industry in France. If you give us the monopoly of furnishing light, we will buy large supplies of tallow, coal, oil, resin, wax, alcohol, silver, iron, bronze, and crystal. Greater tallow consumption will stimulate cattle and sheep raising. Meat, wool, leather, and above all manure, that basis of agricultural riches, will become more abundant. Greater oil consumption will stimulate cultivation of the luxuriant olive tree. Resinous trees will cover our heaths. Swarms of bees will gather upon our mountains the perfumed treasures now cast useless upon the winds. In short, granting our petition will greatly develop every branch of agriculture.

Navigation will equally profit. Thousands of vessels will soon be employed in whaling, and thence will arise a navy capable of upholding the honor of France. (Note the defense argument.)

Paris will become magnificent with the glittering splendor of gildings, bronzes, crystal chandeliers, lamps, reflectors, and candelabras. When we and our many suppliers have become rich, our great consumption will contribute to the prosperity of workers in

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every industry. No one, not even the poor resin manufacturer amidst his pine forest nor the miserable miner in his dark dwelling, will fail to enjoy an increase of salary and comforts. There is perhaps not one Frenchman, from the rich stockholder to the poorest match-seller, who is not interested in the success of our petition.

We foresee your objections, gentlemen; but there is not one which you will not have to take from the free-traders and which is not opposed to your practice. Do you object that the consumer must pay the price of protecting us? You have yourselves already answered the objection. When told that the consumer is interested in free importation of iron, coal, corn, wheat, cloth, etc., you have answered that the producer is interested in their exclusion. You have always acted to *encourage labor*, to *increase the demand for labor*.

Will you say that sunlight is a free gift, and that to repulse free gifts is to repulse riches under pretense of encouraging the means of obtaining them? Take care—you deal a death-blow to your own policy. Remember: hitherto you have always repulsed foreign produce because it was an approach to a free gift; and the closer this approach, the more you have repulsed the goods. You have, in obeying the wishes of other monopolists, acted only from a *half-motive*; to grant our petition there is a much *fuller inducement*. To turn us down just because our case is much stronger than any previous one would be to accumulate absurdity upon absurdity.

When we buy a Portuguese orange at half the price of a French orange, we in effect get it half as a gift. If you protect national labor against the competition of a *half-gift*, what principle justifies allowing the importation of something just because it is *entirely a gift*? You are no logicians if, refusing the half-gift as hurtful to human labor, you do not with double zeal reject the full gift.

The difference in price between an imported article and the corresponding French articles is a *free gift* to us. The bigger the difference, the bigger the gift. It is as complete as possible when the producer gives us his goods entirely free, as the sun does with light. The question is whether you wish for France the benefit of free consumption or the supposed advantages of laborious production. Choose, but be consistent. And is it not the height of inconsistency to check as you do the importation of foreign goods merely because and even in proportion as their price approaches zero, while at the same time you freely admit the light of the sun, whose price during the whole day is at *zero*?

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What Spending and Deficits Do

Henry Hazlitt

THE DIRECT CAUSE of inflation is the issuance of an excessive amount of paper money. The most frequent cause of the issuance of too much paper money is a government budget deficit.

The majority of economists have long recognized this, but the majority of politicians have studiously ignored it. One result, in this age of inflation, is that economists have tended to put too much emphasis on the evils of deficits as such and too little emphasis on the evils of excessive government spending, whether the budget is balanced or not.

So it is desirable to begin with the question, What is the effect of government spending on the economy—even if it is wholly covered by tax revenues?

The economic effect of government spending depends on what the spending is for, compared with what the private spending it displaces would be for. To the extent that the government uses its tax-raised money to provide more urgent services for the community than the taxpayers themselves otherwise would or could have provided, the government spending is beneficial to the community. To the extent that the government provides policemen and judges to prevent or mitigate force, theft, and

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fraud, it protects and encourages production and welfare. The same applies, up to a certain point, to what the government pays out to provide armies and armament against foreign aggression. It applies also to the provision by city governments of sidewalks, streets, and sewers, and to the provision by States of roads, parkways, and bridges.

But government expenditure even on necessary types of service may easily become excessive. Sometimes it may be difficult to measure exactly where the point of excess begins. It is to be hoped, for example, that armies and armament may never need to be used, but it does not follow that providing them is mere waste. They are a form of insurance premium; and in this world of nuclear warfare and incendiary slogans it is not easy to say how big a premium is enough. The exigencies of politicians seeking re-election, of course, may very quickly lead to unneeded roads and other public works.

Welfare Spending

Waste in government spending in other directions can soon become flagrant. The money spent on various forms of relief, now called "social welfare," is more responsible for the spending explosion of the U.S. government than any other type of outlay. In the fiscal year 1927, when total expenditures of the federal government were $2.9 billion, a negligible percentage of that amount went for so-called welfare. In fiscal 1977, when prospective total expenditures have risen to $394.2 billion—136 times as much—welfare spending alone (education, social services, Medicaid, Medicare, Social Security, veterans benefits, etc.) comes to $205.3 billion, or more than half the total. The effect of this spending is on net balance to reduce production, because most of it taxes the productive to support the unproductive.

As to the effect of the taxes levied to pay for the spending, all taxation must discourage production to some extent, directly or indirectly. Either it puts a direct penalty on the earning of income, or it forces producers to raise their prices and so diminish their sales, or it discourages investment, or it reduces the savings available for investment; or it does all of these.

Some forms of taxation have more harmful effects on production than others. Perhaps the worst is heavy taxation of corporate earnings. This discourages business and output; it reduces the employment that the politicians profess to be their primary concern; and it prevents the capital formation that is so necessary to increase real productivity, real income, real wages,

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real welfare. Almost as harmful to incentives and to capital formation is progressive personal income taxation. And the higher the level of taxation the greater the damage it does.

Disruption of the Economy

Let us consider this in more detail. The greater the amount of government spending, the more it depresses the economy. In so far as it is a substitute for private spending, it does nothing to "stimulate" the economy. It merely directs labor and capital into the production of less necessary goods or services at the expense of more necessary goods or services. It leads to malproduction. It tends to direct funds out of profitable capital investment and into immediate consumption. And most "welfare" spending, to repeat, tends to support the unproductive at the expense of the productive.

But more importantly, the higher the level of government spending, the higher the level of taxation. And the higher the level of taxation, the more it discourages, distorts, and disrupts production. It does this much more than proportionately. A 1 per cent sales tax, personal income tax, or corporation tax would do very little to discourage production, but a 50 per cent rate can be seriously disruptive. Just as each additional fixed increment of income will tend to have a diminishing marginal value to the receiver, so each additional *subtraction* from his income will mean a more than proportional deprivation and disincentive. The adjective "progressive" usually carries an approbatory connotation, but an income tax can appropriately be called "progressive" only in the sense that a disease can be called progressive. So far as its effect on incentives and production are concerned, such a tax is increasingly *retrogressive* or *repressive.*

Total Spending the Key

Though, broadly speaking, only a budget deficit tends to lead to inflation, the recognition of this truth has led to a serious underestimation of the harmfulness of an exorbitant level of total government spending. While a budget balanced at a level of $100 billion for both spending and tax revenues may be acceptable (at, say, 1977's level of national income and dollar purchasing power), a budget balanced at a level above $400 billion may in the long run prove ruinous. In the same way, a deficit of $50 billion at a $400 billion level of spending is far more ominous than a deficit of the same size at a spending level of $200 billion.

An exorbitant spending level, in sum, can be as great or a greater evil than a huge deficit. Everything

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depends on their relative size, and on their combined size compared with the national income.

Let us look first at the effect of a deficit as such. That effect will depend in large part on how the deficit is financed. Of course if, with a given level of spending, a deficit of, say, $50 billion is then financed by added taxation, it ceases by definition to be a deficit. But it does not follow that this is the best course to take. Whenever possible (except, say, in the midst of a major war) a deficit should be eliminated by reducing expenditures rather than by increasing taxes, because of the harm the still heavier taxes would probably do in discouraging and disorganizing production.

It is necessary to emphasize this point, because every so often some previous advocate of big spending suddenly turns "responsible," and solemnly tells conservatives that if they want to be equally responsible it is now their duty to "balance the budget" by raising taxes to cover the existing and planned expenditures. Such advice completely begs the question. It tacitly assumes that the existing or planned level of expenditures, and all its constituent items, are absolutely necessary, and must be fully covered by increased taxes no matter what the cost in economic disruption.

We have had 39 deficits in the 47 fiscal years since 1931. The annual spending total has gone up from $3.6 billion in 1931 to $394.2 billion—110 times as much—in 1977. Yet the argument that we must keep on balancing this multiplied spending by equally multiplied taxation continues to be regularly put forward. The only real solution is to start slashing the spending before it destroys the economy.

Two Ways to Pay

Given a budget deficit, however, there are two ways in which it can be paid for. One is for the government to pay for its deficit outlays by printing and distributing more money. This may be done either directly, or by the government's asking the Federal Reserve or the private commercial banks to buy its securities and to pay for them either by creating deposit credits or with newly issued inconvertible Federal Reserve notes. This of course is simple, naked inflation.

Or the deficit may be paid for by the government's selling its bonds to the public, and having them paid for out of real savings. This is not directly inflationary, but it merely leads to an evil of a different kind. The government borrowing competes with and "crowds out" private capital investment, and so retards economic growth.

Let us examine this a little more closely. There is at any given time a

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total amount of actual or potential savings available for investment. Government statistics regularly give estimates of these. The gross national product in 1974, for example, is given as $1,499 billion. Gross private saving was $215.2 billion—14.4 per cent of this—of which $74 billion consisted of personal saving and $141.6 billion of gross business saving. But the Federal budget deficit in that year was $11.7 billion, and in 1975 $73.4 billion, seriously cutting down the amount that could go into the capital investment necessary to increase productivity, real wages, and real long-run consumer welfare.

Sources and Uses of Capital

The government statistics estimate the amount of gross private domestic investment in 1974 at $215 billion and in 1975 at $183.7 billion. But it is probable that the greater part of this represented mere replacement of deteriorated, worn-out, or obsolete plant, equipment, and housing, and that new capital formation was much smaller.

Let us turn to the amount of new capital supplied through the security markets. In 1973, total new issues of securities in the United States came to $99 billion. Of these, $32 billion consisted of private corporate stocks and bonds, $22.7 billion of state and local bonds and notes, $1.4 billion of bonds of foreign governments, and $42.9 billion of obligations of the U.S. government or of its agencies. Thus of the combined total of $74.9 billion borrowed by the U.S. government and by private industry, the government got 57 per cent, and private industry only 43 per cent.

The crowding-out argument can be stated in a few elementary propositions. 1. Government borrowing competes with private borrowing. 2. Government borrowing finances government deficits. 3. What the government borrows is spent chiefly on consumption, but what private industry borrows chiefly finances capital investment. 4. It is the amount of new capital investment that is chiefly responsible for the improvement of economic conditions.

The possible total of borrowing is restricted by the amount of real savings available. Government borrowing crowds out private borrowing by driving up interest rates to levels at which private manufacturers who would otherwise have borrowed for capital investment are forced to drop out of the market.

Why the Deficits?

Yet government spending and deficits keep on increasing year by year. Why? Chiefly because they serve the immediate interests of

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politicians seeking votes, but also because the public still for the most part accepts a set of sophistical rationalizations.

The whole so-called Keynesian doctrine may be summed up as the contention that deficit spending, financed by borrowing, creates employment, and that enough of it can guarantee "full" employment. The American people have even had foisted upon them the myth of a "full-employment budget." This is the contention that projected Federal expenditures and revenues need not be, and ought not to be, those that would bring a real balance of the budget under actually existing conditions, but merely those that would balance the budget *if* there were "full employment."

To quote a more technical explanation (as it appears, for example, in the Economic Report of the President of January, 1976): "Full employment surpluses or deficits are the differences between what receipts and expenditures are estimated to be if the economy were operating at the potential output level consistent with a 4 per cent unemployment" (p. 54).

A table in that report shows what the differences would have been for the years 1969 to 1975, inclusive, between the actual budget and the so-called full-employment budget. For the calendar year 1975, for example, actual receipts were $283.5 billion and expenditures $356.9 billion, leaving an actual budget deficit of $73.4 billion. But in conditions of full employment, receipts from the same tax rates *might* have risen to $340.8 billion, and expenditures *might* have fallen to $348.3 billion, leaving a deficit not of $73.4 billion but only of $7.5 billion. Nothing to worry about.

Priming the Pump

Nothing to worry about, perhaps, in a dream world. But let us return to the world of reality. The implication of the full-employment budget philosophy (though it is seldom stated explicitly) is not only that in a time of high unemployment it would make conditions even worse to aim at a real balance of the budget, but that a full-employment budget can be counted on to *bring* full employment.

The proposition is nonsense. The argument for it assumes that the amount of employment or unemployment depends on the amount of added dollar "purchasing power" that the government decides to squirt into the economy. Actually the amount of unemployment is chiefly determined by entirely different factors—by the relations in various industries between selling prices and costs, between particular prices and particular wage-rates; by the wage-rates exacted by strong

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unions and strike-threats; by the level and duration of unemployment insurance and relief payments (making idleness more tolerable or attractive); by the existence and height of legal minimum-wage rates, and so on. But all these factors are persistently ignored by the full-employment budgeteers and by all the other advocates of deficit spending as the great panacea for unemployment.

One-Way Formula

It may be worth while, before we leave this subject, to point to one or two of the practical consequences of a consistent adherence to a full-employment-budget policy. In the twenty-eight years from 1948 to 1975 inclusive, there were only eight in which unemployment fell below the government target-level of 4 per cent. In all the other years the full-employment-budgeteers (perhaps we should call them the fulembudgers for short) would have prescribed an actual deficit. But they say nothing about achieving a surplus in the full-employment years, much less about its desirable size. Presumably they would consider any surplus at all, any repayment of the government debt, as extremely dangerous at any time. So a prescription for full-employment budgeting might not produce very different results in practice from a prescription for perpetual deficit. Perhaps an even worse consequence is that as long as this prescription prevails, it can only act to divert attention from the real causes of unemployment and their real cure.

Perhaps a word needs to be said about the fear of a surplus that has developed in recent decades—ever since about 1930, in fact. This of course is only the reverse side of the myth that a deficit is needed to "stimulate" the economy by "creating purchasing power." The only way in which a surplus could do even temporary harm would be by bringing about a sudden substantial reduction in the money supply. It could do this only if the bonds paid off were those held by the banking system against which demand deposits had been created. But in 1976, out of a gross public debt of $620.4 billion, $92.3 billion were held by commercial banks and $94.4 billion by Federal Reserve banks. This left $433.7 billion, or about 70 per cent, in nonbanking hands. This could be retired, say over fifty years, without shrinking the money supply in the least. And if the public debt were retired at a rate of $5 billion or $10 billion a year, private holders would have that much more to invest in private industry.

The Phillips Curve

A myth even more pernicious than the full-employment budget,

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and akin to it in nature, is the Phillips Curve. This is the doctrine that there is a "trade-off" between employment and inflation, and that this can be plotted on a precise curve—that the less inflation, the more unemployment, and the more inflation the less unemployment. But this incredible doctrine is more directly related to currency issue than to government spending and deficits, and can best be examined elsewhere.

In conclusion: Chronic excessive government spending and chronic huge deficits are twin evils. The deficits lead more directly to inflation, and therefore in recent years they have tended to receive a disproportionate amount of criticism from economists and editorial writers. But the total spending is the greater evil, because it is the chief political cause of the deficits. If the spending were more moderate, the taxes to pay for it would not have to be so oppressive, so damaging to incentive, so destructive of employment and production. So the persistence and size of deficits, though serious, is a derivative problem; the primary evil is the exorbitant spending, the Leviathan "welfare" state. If the spending were brought within reasonable bounds, the taxes to pay for it would not have to be so burdensome and demoralizing, and politicians could be counted on to keep the budget balanced.

IDEAS ON LIBERTY

Economic Growth

IN A FREE SOCIETY protected against violence and fraud, economic growth is an automatic process. It takes place as a result of the desire of individuals to better the material condition of themselves and their families. In this endeavor, people save, invest, devise new and better tools, invent new products and new processes, and employ other people in order to operate more efficiently and on a large scale. In this respect, individual proprietors and corporations behave in essentially the same way. Under the spur of competition and the profit motive, they strive constantly to produce more and better products at a lower cost. The result is economic growth.

ALBERT C. WILCOX

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My Years With Ludwig von Mises

Margit von Mises' book about her husband, *My Years with Ludwig von Mises* (Arlington, $9.95), is, first of all, a deeply tender memoir of the human side of a genius. Though Mises was "Lu" to his devoted friends such as Henry Hazlitt and Larry Fertig, he was not a man to court intimacy. He could be beautifully, and even humorously, explicit about all manner of topics (who can forget his disquisition on the production—and resulting pleasures—of champagne?), but when it came to the topic of himself there was never a word. It was rumored that he had a weakness (who said that he almost forgave the Austrian State for subsidizing opera?), but his relentless consistency about general ideas seemed to preclude private preoccupations. When he died in 1973 there were innumerable tributes to his work, but nothing much about him as a human being.

The desire to bring the real Mises closer to his friends became "almost an obsession" with Margit von Mises. She knew, as no one else did, her husband's need for love and affection, and she also knew his hesitancies. As she says, they did not live in Paradise. During a long engagement that virtually coincided with the protracted agonies of an Austria that was waiting for a depression to end and a Hitler to pounce, she suffered while Lu "fought himself." She was deeply in love with him, but he had what to him was a frightening decision to make.

The work he had cut out for himself involved nothing less than the complete destruction of socialism as a respected system of ideas. He

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regarded his vocation as a priesthood. She had two children by a previous marriage who could be disruptive to a quiet home. Though he had time for diversions (they went mountain climbing together), sometimes she did not see him for weeks. She spent time in London to refresh her English and to qualify as a translator of plays for the Viennese theatre. He, knowing that Austria was doomed, left Vienna in 1934 to join Professor William Rappard's faculty at the Institute des Hautes Etudes in Geneva.

When, after innumerable separations, they were finally married, the result, for Margit, was a happy anti-climax: Lu adapted himself to marriage more quickly than she did. He never once referred to the thirteen years of their engagement during thirty-five years of subsequent marriage, a silence she still finds puzzling. But, though Lu had a sometimes volcanic temper which had nothing to do with herself, the contrast between them made him feel complemented. "I am the human touch in your life," she said. "You are more than that," he said, ". . . you always are in a good mood."

The History of Ideas

Margit Mises says her book will hardly answer any question about economics. Maybe not, but she answers at least a thousand questions about economic history. Her story will prove indispensable to anyone who wants to understand a migration of thought that may, in the end, be the saving of America and the whole western world. The convulsion that sent the living carriers of the Carl Menger Austrian school of economics to Geneva and London, to New York and Chicago, came at a time when Keynesianism had practically obliterated the classical liberal economics of the past.

It is perfectly true that Statist economics had its native-born enemies in the London of Lionel Robbins and in the Chicago of Henry Simons, Frank Knight and Milton Friedman. But what phenomenon had the effect of Mises' famous seminar at New York University, which lasted from 1948 to 1969? Scores of young dissenters from the accepted Keynesian conventions sharpened their sense of economic logic at Mises' feet. And they did much more than that. They also learned, as a letter quoted by Margit Mises explains, that "the realm of ethics is not something which is outside of that of economic action." A jotting from a notebook (that of Jack Holman, a licensed engineer with a Ph.D. in economics) has Mises saying "one of the indispensable prerequisites of a mastery of economics is a perfect knowledge of history, the history of

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ideas and of civilization . . . To know one field well, one must also know other fields."

Around the World

The percolation of ideas is an endlessly fascinating topic, and Margit von Mises adds scores of details that will enable her readers to track the penetration of Mises' philosophy to the most unlikely places. If Latin America is ever to come to its economic senses, Mises' "two months in Mexico," which Margit describes with great feeling, will have had much to do with it. And if Marx is ever to be abandoned in places now behind the Iron and Bamboo curtains, it will be because of Mises' root perception that the problem of economic calculation is impossible to solve under socialism. Communism depends on its trade with free economies for its pricing tips, and if there were no cross-border traffic with the capitalist devil the very concept of socialist planning would become a shambles for lack of measuring rods.

This truth, set forth in a Mises book translated from the German with the English title of *Socialism*, made a profound impression on Hayek, Roepke and others who read it in the early Twenties. This was a little before Margit's introduction to Lu, but the story of *Socialism*'s influence on Hayek's generation is covered in a tribute to Mises which Hayek contributes as an appendix to Margit's memoir.

"Human Action"

For Hayek, *Socialism* still remains the "most memorable and decisive production of Professor Mises' career." But he thinks *Human Action*, which covers a wider field than political economy, will in the long run prove as important as *Socialism* has been. Margit Mises tells the whole story of the publication of *Human Action* in America. It was due to the unconventional boldness of Eugene Davidson that the Yale University Press dared to accept *Human Action* in spite of the Keynesian and Marxian shibboleths that prevailed on the campuses of the Forties. After Davidson left New Haven to go to Chicago, the Yale Press messed up a second edition of *Human Action*. Margit asks a pertinent question: "Who was the guilty party causing the unbelievably bad printing job?" Mises was deeply hurt by what he called "scandalous botchery."

Margit Mises has an eye and an ear for character, and her book throngs with beautifully characterized people. Leonard Read, Hans Sennholz, Henry Hazlitt, Larry Fertig, Murray Rothbard, Sylvester Petro, Percy and Bettina Greaves, Albert Hahn and Philip Cortney, all

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of them friends and many of them students of Mises, appear and reappear as Margit Mises tells of her husband's travels and seminars. Better than total recall, Margit Mises has significant recall. Her own story as a young actress on the Vienna and Hamburg stage during World War I and after conjures up pulsating pictures of a forgotten world. She protests that she is an amateur writer, but she is actually as skilled as any professional. Those years when she was translating plays for the Vienna theatre have paid off.

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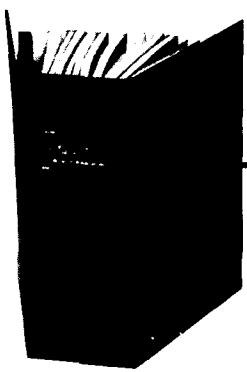

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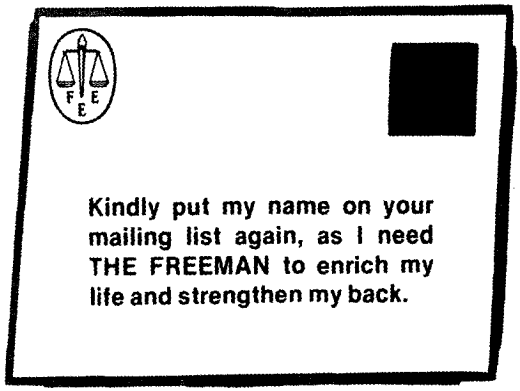

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